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COMPONENT UNIT FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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

DECEMBER 31, 2002

Under provisions of state law, this report is a public document. A copy of this report has been provided to the audit and fiscal agencies pursuant to law. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the official municipal clerk of court.

Release Date: 1/9/03

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Certified Public Accountancy

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Tammany Fire Protection District No. 2
Madisonville, Louisiana

We have audited the accompanying component unit financial statements of the St. Tammany Parish Fire Protection District No. 2 as of and for the two years ended December 31, 2002. These financial statements are the responsibility of the St. Tammany Parish Fire Protection District No. 2's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Fire Protection District No. 2 as of December 31, 2002, and the results of its operations for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the St. Tammany Fire Protection District No. 2. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2003, on our consideration of the St. Tammany Parish Fire Protection District No. 2's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 20, 2003

Smith, Hurst & Associates, L.L.C.

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

COMBINED BALANCE SHEET-
ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2002

	<u>Governmental</u> <u>Fund Type</u>	<u>Account Group</u>		<u>Total</u> <u>(Micro-enterprises</u> <u>Only)</u>
	<u>General</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long Term</u> <u>Debt</u>	
ASSETS				
Cash	\$ 23,907	\$ -	\$ -	\$ 23,907
Investments	62,260	-	-	62,260
Receivables				
Ad valorem taxes, net	488,137	-	-	488,137
State revenue sharing	23,091	-	-	23,091
Other	5,673	-	-	5,673
Deposits	2,184	-	-	2,184
Vehicles	-	296,532	-	296,532
Machinery and equipment	-	84,320	-	84,320
Office equipment	-	17,249	-	17,249
Buildings	-	472,787	-	472,787
Land	-	566,400	-	566,400
Amount to be provided for long-term debt	-	-	124,061	124,061
	<u>\$ 605,252</u>	<u>\$ 1,417,288</u>	<u>\$ 124,061</u>	<u>\$ 2,156,601</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Overhead payable	\$ 22,248	\$ -	\$ -	\$ 22,248
Accounts payable	25,635	-	-	25,635
Accrued employee absences	-	-	20,289	20,289
Capital lease payable	-	-	163,772	163,772
Total liabilities	<u>47,883</u>	<u>-</u>	<u>184,061</u>	<u>171,944</u>
FUND EQUITY				
Investment in general fixed assets:				
Dedicated	-	516,000	-	516,000
General fund	-	881,288	-	881,288
Unreserved fund balance	<u>537,369</u>	<u>-</u>	<u>-</u>	<u>537,369</u>
Total fund equity	<u>\$ 605,252</u>	<u>\$ 1,417,288</u>	<u>\$ 124,061</u>	<u>\$ 2,156,601</u>

The accompanying notes are an integral part of this statement.

**FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 435,835	\$ 492,190	\$ 56,355
Intra-governmental Revenues			
State revenue sharing	-	23,894	23,894
2% Fire insurance tax	-	11,849	11,849
Interest income	-	2,966	2,966
Other income	25,090	18,335	(14,665)
Total revenues	<u>460,925</u>	<u>549,234</u>	<u>88,309</u>
Expenditures			
Salaries	235,080	258,600	(23,520)
Insurance	35,580	58,485	2,905
Communication and telephone	24,080	37,110	(13,030)
Operating supplies	30,080	23,100	(13,980)
Maintenance and repairs	25,080	58,979	(3,899)
Employee benefits	20,080	18,432	968
State pension deduction	30,580	14,126	(16,454)
Fuel	18,680	18,979	1,299
Utilities	10,080	7,952	2,848
Education	4,080	13,066	(7,986)
Professional services	5,080	6,315	(1,235)
Payroll taxes	-	3,608	(3,608)
Uniforms	1,585	5,975	(3,089)
Travel	1,080	1,080	(2,480)
Taxes and licenses	24,080	237	23,763
Other	1,830	2,541	681
Office expenditures	2,080	2,745	(1,745)
Debt Service	-	28,884	(28,884)
Capital Outlays	48,080	18,842	29,238
Total expenditures	<u>621,525</u>	<u>731,591</u>	<u>109,766</u>
Revenues over expenditures before other financing sources	<u>\$ -</u>	\$ 8,440	\$ 8,440
Fund balance, beginning of year		<u>148,929</u>	
Fund balance, end of year		<u>\$ 257,369</u>	

The accompanying notes are an integral part of this statement.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 415,000	\$ 454,874	\$ 39,874
Intergovernmental Revenues			
State revenue sharing	28,000	23,612	(4,388)
2% Fire insurance tax	7,700	10,753	3,053
Interest income	4,900	3,804	(1,096)
Other income	1,850	4,874	3,024
Total revenues	<u>449,250</u>	<u>497,857</u>	<u>48,607</u>
Expenditures			
Salaries	217,000	216,748	252
Insurance	58,300	33,961	24,339
Communication and telephone	25,000	31,063	(6,063)
Operating supplies	18,000	19,883	(1,883)
Maintenance and repairs	25,000	23,381	1,619
Employee benefits	33,800	19,658	14,142
State pension deduction	18,500	13,437	5,063
Fuel	18,000	12,148	5,852
Utilities	9,000	9,155	(155)
Education	12,000	8,914	3,086
Professional services	5,000	12,948	(7,948)
Payroll taxes	-	4,822	(4,822)
Uniforms	3,000	3,993	(993)
Travel	3,000	1,064	1,936
Taxes and licenses	25,000	1,813	23,187
Other	8,200	1,719	6,481
Office expenditures	2,000	3,919	(1,919)
Capital Outlays	<u>28,500</u>	<u>151,162</u>	<u>(122,662)</u>
Total expenditures	<u>476,500</u>	<u>573,512</u>	<u>(96,912)</u>
Revenues under expenditures before other financing sources	<u>\$ (27,250)</u>	<u>(75,655)</u>	<u>\$ 48,405</u>
Other Financing sources			
Proceeds of capital lease		<u>126,265</u>	
Revenues and other sources over expenditures		50,610	
Fund balance, beginning of year		<u>499,732</u>	
Fund balance, end of year		<u>\$ 550,342</u>	

The accompanying notes are an integral part of this statement.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Fire Protection District No. 2 of St. Tammany Parish conform to accounting principles generally accepted in the United States of America applicable to governmental entities. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, *Audit of State and Local Governmental Units*. The following is a summary of certain significant policies.

1. History

Fire Protection District No. 2, St. Tammany Parish, Louisiana was created by the St. Tammany Parish Police Jury on January 15, 1855. The District covers the area of Ward 1 of St. Tammany Parish, Louisiana. The District is now operated as a component unit of the St. Tammany Parish Council.

2. Reporting Entity

The reporting entity for St. Tammany Parish consists of the St. Tammany Parish Council, which as governing authority of the parish is the primary unit with oversight responsibility, and other governmental units (component units) within the parish over which the St. Tammany Parish Council exercises oversight responsibility. Fire Protection District No. 2 is considered a component unit of the parish reporting entity because: (1) commissioners of the District are appointed by the St. Tammany Parish Council and; (2) the District provides fire protection service to residents within St. Tammany Parish. While Fire Protection District No. 2 is an integral part of the parish reporting entity and should be included within the general purpose financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Fire Protection District No. 2 and do not present information on the St. Tammany Parish Council, the general government services provided by the parish or on other component units that comprise the St. Tammany Parish reporting entity.

3. Fund Accounting

The accounts of Fire Protection District No. 2 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are self balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are to be controlled.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Governmental Fund

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District only has a general fund.

5. Account Groups

General Fixed Asset Account Group

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Fixed assets are valued at historical cost or estimated historical cost. Donated assets are recorded at their fair market value at the time of donation. No depreciation has been provided on general fixed assets.

General Long-Term Debt Account Group

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are listed as liabilities in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which it becomes both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash. Ad valorem tax revenue is recorded when it is measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on December 1 of each year, and are considered delinquent on January 1. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Fire insurance premium rebates are recorded when the fire protection district is entitled to the funds.

Interest income on time deposits is recorded when the time deposits have matured and interest is available.

Substantially all other revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period.

Expenditures

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

7. Budget Practices

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

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Cash, Cash Equivalents, and Investments

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their offices in Louisiana. At December 31, 2002 the carrying amount of the District's deposits was \$1,689, net of bank overdraft of \$22,248.

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. Deposits (bank balances) at December 31, 2002 are categorized as follows:

Bank balances	<u>\$ 1,180</u>
Federal deposit insurance or collateralized - demand deposits (Category 1)	<u>\$ 5,189</u>

Category 1 includes bank balances which are insured or collateralized with securities held by the District or its agent in the District's name.

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

9. Federal Income Taxes

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

10. Compensated Absence

The District's policy is to accrue vacation pay with the balances being carried forward from year to year. Sick leave accrues, but does not become payable upon termination or leave. The District records the liability for accrued vacation balances in the General Long-Term Debt Account Group.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Lawful eliminations have not been made in the aggregation of this data.

NOTE B - AD VALOREM TAXES

For the years ended December 31, 2002 and 2001, the Fire Protection District No. 2, St. Tammany Parish, Louisiana, was authorized to levy an ad valorem tax of 20.62 mills on all property subject to taxation. The proceeds of this 20.62 mill tax is for the purpose of acquiring, constructing, improving, maintaining and operating fire protection facilities, purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the District on December 1, 2002. Billed taxes were delinquent on January 1, 2003.

The St. Tammany Parish Tax Collector bills and collects the District's ad valorem taxes using the assessed value determined by the tax assessor of St. Tammany Parish, Louisiana. Ad valorem taxes receivable at December 31, 2002 is as follows:

Ad valorem taxes	\$ 512,514
Less: Allowance for uncollectible taxes	(10,297)
State pension deduction	<u>(14,128)</u>
Ad valorem tax receivable, net	<u>\$ 488,107</u>

NOTE C - INVESTMENTS

Investments of \$62,260 which are stated at market using published quotes as of December 31, 2002 are in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 190.126, the investment in LAMP is not categorized in the class risk categories provided by GASB Codification Section 190.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE C - INVESTMENTS (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) passed LSA-R.S. 33:2955(A)(1)(c) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90-days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance December 31, 2000	2001 Additions (Deductions)	2002 Additions (Deductions)	Balance December 31, 2002
Land	\$ 266,480	\$ -	\$ -	\$ 266,480
Vehicles	147,984	148,547	-	296,531
Machinery and equipment	71,783	-	13,557	85,340
Office equipment	14,185	-	3,885	17,290
Buildings	466,162	2,620	4,092	472,782
	<u>\$ 1,266,674</u>	<u>\$ 151,167</u>	<u>\$ 17,642</u>	<u>\$ 1,435,283</u>

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE E - 1% FIRE INSURANCE TAX

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

NOTE F - LOUISIANA FIREFIGHTERS RETIREMENT SYSTEM PENSION NOTE

Plan Description. Substantially all employees of Fire Protection District No. 2 of St. Tammany Parish are members of the Louisiana Firefighters Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94995, Baton Rouge, Louisiana 70894, or by calling (225) 925-4860.

Funding Policy. Plan members are required by state statute to contribute 1% of their annual covered salary and Fire Protection District No. 2 of St. Tammany Parish is required to contribute an amount by determined rate. The current rate is 18.25% of annual covered payroll. The rate for January 2002 through November 2002 was 9% of annual covered payroll. The contribution requirements of plan members and Fire Protection District No. 2 of St. Tammany Parish 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. Fire Protection District No. 2 of St. Tammany Parish's contributions to the System for the years ending December 31, 2000, 2001, and 2002 were \$16,933, \$18,327, and \$18,973, respectively.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE G - LONG-TERM DEBT

The following is a summary of long-term obligations of the St. Tammany Parish Fire District No. 3 for the years ended December 31, 2002 and 2001:

	<u>Capital Lease</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, January 1, 2001	\$ -	\$ 14,817	\$ 14,817
Additions	126,285	1,280	131,565
Reductions	-	-	-
Balance, December 31, 2001	126,285	16,097	145,572
Additions	-	982	982
Reductions	(12,493)	-	(12,493)
Balance, December 2002	<u>\$ 113,792</u>	<u>\$ 17,079</u>	<u>\$ 130,871</u>

The following is a description of long-term obligations for the year ended December 31, 2002:

Lease purchase agreement dated July 30, 2001, payable in annual installments of \$29,804, including interest of approximately 5.79%, through July 30, 2006	<u>\$ 113,792</u>
--	-------------------

The following is a schedule of future principal payments on long-term obligations as of December 31, 2002:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2003	\$ 23,799
2004	23,173
2005	26,601
2006	<u>38,173</u>
	<u>\$ 113,792</u>

ACCOUNT GROUP FINANCIAL STATEMENTS

GENERAL FIXED ASSET ACCOUNT GROUP

NARRATIVE EXPLANATION

The General Fixed Asset Account Group is used to account for fixed assets. General Fixed Assets do not represent financial resources available for expenditures but are items for which financial resources have been used and for which accountability is maintained.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

STATEMENT OF GENERAL FIXED ASSETS

December 31, 2002

General Fixed Assets at Cost:	
Vehicles	\$ 296,572
Buildings	471,787
Equipment and machinery	84,328
Office equipment	17,249
Land	<u>286,400</u>
Total General Fixed Assets	<u>\$1,457,336</u>
Investments in General Fixed Assets:	
Assets from:	
General Fund	\$ 881,288
Donations	<u>256,000</u>
Total Investments in General Fixed Assets	<u>\$1,137,288</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS

For the Year Ended December 31, 2002

Governing Board

Compensation

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Tim Hymel
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(504) 833-6611 - Covington

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

To the Board of Commissioners
Fire Protection District No. 2
St. Tammany Parish, Louisiana

We have audited the component unit financial statements of the St. Tammany Parish Fire Protection District No. 2 as of and for the two years ended December 31, 2002, and have issued our report thereon dated May 20, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the St. Tammany Parish Fire Protection District No. 2a component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* as described in the following paragraph.

For the year ended December 31, 2002, actual expenditures in the general fund of \$537,591 exceeded budgeted expenditures of \$483,833 resulting in an unfavorable variance of \$53,758 (10.12% unfavorable). Also, for the year ended December 31, 2001, actual expenditures in the general fund of \$537,532 exceeded budgeted expenditures of \$474,508 resulting in an unfavorable variance of \$67,022 (20.36% unfavorable). Louisiana Revised Statutes 39:1310 requires the District to amend its budget when actual expenditures are exceeding budgeted expenditures by more than 3%. Also, during the years ended December 31, 2002 and 2001, the District did not publish a notice stating that the proposed budget was available for public inspection as required by LRS 39:1306B.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Tammany Parish Fire Protection District No. 2a internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Commissioners
Fire Protection District No. 2
St. Tammany Parish, Louisiana

This report is intended solely for information of the Board of Commissioners and others within the organization as well as the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

May 28, 2003

Smith, Howell & Associates, L.L.C.

FIRE PROTECTION DISTRICT NO. 2
ST. TAMMANY PARISH, LOUISIANA

STATUS OF PRIOR AUDIT FINDINGS

2001-1 Actual general fund expenditures exceeded budgeted expenditures by more than 5%.

During the years ending December 31, 2002 and 2004, actual expenditures exceeded budgeted by more than 5%.

ST. TAMMANY FIRE PROTECTION DISTRICT NO. 2
P.O. BOX 395
MADISONVILLE, LA 70448

June 18, 2003

Legislative Audit Advisory Committee
P. O. Box 94297
Baton Rouge, LA 70804-0297

To Whom It May Concern:

For the years ended December 31, 2002 and 2003, our general fund actual expenditures exceeded budgeted by more than 5%. Also, we did not publish a notice stating that proposed budgets were available for public inspection. We will institute procedures to monitor budget to actual reports on a periodic basis, and we will amend future budgets as necessary. We will also advertise future budgets.

Sincerely,



Mike Stein
Fire Chief