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ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Component Unit Financial Statements
As of and For the Year Ended December 31, 2004
Covington, Louisiana

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

Release Date 6-29-05

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Component Unit Financial Statements
As of and For the Year Ended December 31, 2004
Covington, Louisiana

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Tammany Parish Fire Protection District No. 12
Covington, Louisiana

We have audited the accompanying basic financial statements of the St. Tammany Parish Fire Protection District No. 12, a component unit of St. Tammany Parish Police Jury, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Fire Protection District No. 12 as of December 31, 2004, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages 5 through 6 and 19, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005 on our consideration of the St. Tammany Parish Fire Protection District No. 12's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Our audit was made for the purpose of forming an opinion on the St. Tammany Parish Fire Protection District No. 12's basic financial statements taken as a whole. The accompanying other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the St. Tammany Parish Fire Protection District No. 12. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roy Chenevert, CPA

Baton Rouge, Louisiana
May 23, 2005

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Component Unit Financial Statements
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The management's discussion and analysis of the St. Tammany Parish Fire Protection District No. 12's financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of fiscal year 2004 by \$3,340,520. The net assets increased by \$266,222 (or 8.7%).

The District's revenue increased by \$305,476 (or 13.8%), while the expenses increased by \$338,116 (or 17.6%). The District was awarded two FEMA grants in the amount of \$131,210 and \$111,900 which each required a 10% matching of funds by the District.

Statement of Net Assets
As of December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u> <u>Restated</u>
Current and other assets	\$ 2,641,951	\$ 2,367,150
Capital assets	1,675,408	1,559,641
Total assets	<u>4,317,359</u>	<u>3,926,791</u>
Current liabilities	261,322	140,042
Non-current liabilities	715,517	712,451
Total liabilities	<u>976,839</u>	<u>852,493</u>
Total net assets	<u>\$ 3,340,520</u>	<u>\$ 3,074,298</u>

The District's equity interest in its capital assets is reported within the investment in capital assets. The unrestricted net assets are those that do not have any limitations for what these amounts may be used.

Statement of Activities
For the year ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u> <u>Restated</u>
General revenues	\$ 2,386,878	\$ 2,105,890
Expenses	<u>(2,257,251)</u>	<u>(1,871,672)</u>
Changes in net assets	129,627	234,218
Program revenues	136,595	112,107
Adjustments to net assets	--	116,082
Increase in net assets	<u>\$ 266,222</u>	<u>\$ 462,407</u>

CAPITAL ASSETS

At the end of 2004, the District had \$1,675,408 invested in a broad range of capital assets, including land, building, and furniture and equipment.

Capital Assets at Year-end (Net of Depreciation)

Land	\$ 166,990
Building and improvements	750,959
Furniture and equipment	<u>757,459</u>
Total	<u>\$ 1,675,408</u>

This year's major additions included \$29,652 in furniture and equipment and \$205,265 in construction-in-progress.

BUDGET

The annual budget was approved by the District at the December 2003 meeting. The actual revenues exceeded the budgeted amount by \$406,403 while expenditures were \$303,879 in excess of budgeted amounts. The increase in revenues is attributed to the increase of the ad valorem tax assessments indicated on the assessors tax roll. Over the course of the year, the District revised its budget once.

CONTACTING THE ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Darrell Guillott, Fire Chief, St. Tammany Parish Fire Protection District No. 12, 115 Northpark Boulevard, Covington, LA 70433.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Statement of Net Assets and Governmental Fund
Balance Sheet
December 31, 2004

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 319,375		\$ 319,375
Receivables	2,293,253		2,293,253
Capital assets, net of accumulated depreciation		\$ 1,675,408	1,675,408
Prepaid expenses	28,073		28,073
Deposits	1,250		1,250
Total assets	<u>\$ 2,641,951</u>	<u>1,675,408</u>	<u>4,317,359</u>
Liabilities			
Accounts payable	\$ 13,793		13,793
Salary & benefits payable	239,162		239,162
Accrued interest	8,367		8,367
Long-term liabilities			
Due within one year		137,504	137,504
Due after one year		578,013	578,013
Total liabilities	<u>261,322</u>	<u>715,517</u>	<u>976,839</u>
Fund Balance/Net assets			
Fund Balance			
Unreserved	2,380,629	(2,380,629)	
Total fund balance	<u>2,380,629</u>	<u>(2,380,629)</u>	
Total liabilities and fund balance	<u>\$ 2,641,951</u>		
Net assets			
Invested in capital assets		1,675,408	1,675,408
Unrestricted net assets		1,665,112	1,665,112
Total net assets		<u>\$ 3,340,520</u>	<u>\$ 3,340,520</u>

See accompanying notes to the financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Statement of Activities and Governmental Fund
Revenues, Expenditures, and Changes in Fund Balance
Year Ended December 31, 2004

	General Fund	Adjustments	Statement of Activities
Revenues			
Ad valorem taxes	\$ 2,247,305		\$ 2,247,305
State revenue sharing	72,205		72,205
2% fire insurance tax	45,921		45,921
Interest income	14,481		14,481
Grant income	136,595		136,595
Miscellaneous revenue	6,966		6,966
Total revenues	<u>2,523,473</u>		<u>2,523,473</u>
Expenditures/expenses			
Fire protection services			
Personal services and benefits	1,290,843	\$ 12,069	1,302,912
Contracted services	46,625		46,625
Legal and professional	22,865		22,865
Insurance	327,271		327,271
Repairs and maintenance	59,454		59,454
Station supplies	44,120		44,120
Office	30,387		30,387
Occupancy	51,822		51,822
Fire prevention education and training	43,898		43,898
Fuel and oil	23,098		23,098
Dues, taxes and licenses	2,507		2,507
Travel and meals	6,020		6,020
Capital outlay	234,917	(234,917)	
Grant outlays	145,295		145,295
Interest	31,827		31,827
Debt service	60,000	(60,000)	
Depreciation		119,150	119,150
Total expenditures/expenses	<u>2,420,949</u>	<u>(163,698)</u>	<u>2,257,251</u>
Excess (deficiency) of revenues over expenditures	102,524		
Change in net assets		266,222	266,222
Fund balance/net assets			
Beginning of year, restated	2,278,105	796,193	3,074,298
End of year	<u>\$ 2,380,629</u>	<u>\$ 959,891</u>	<u>\$ 3,340,520</u>

See accompanying notes to the financial statements.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

Notes to the Financial Statements

December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The St. Tammany Parish Fire Protection District No. 12 (the "District") was established by the St. Tammany Parish Police Jury Ordinance No. 706 in April 1977. The District serves the area of Ward 3 of St. Tammany Parish, Louisiana, but excluding the corporate limits of the City of Covington. The District is governed by a Board of Commissioners consisting of five resident taxpayers, as provided by Louisiana Revised Statute 40:1496. The St. Tammany Parish Police Jury appoints the commissioners to two year terms. Vacancies are filled by the bodies making the original appointments. The District is operated as a component unit of the St. Tammany Parish Police Jury.

Fire protection districts are created for the purpose of acquiring, maintaining, and operating facilities, machinery, equipment, water tanks, water hydrants, water lines, and other things necessary to provide proper fire protection and control of the property within the District. The District interacts with the Covington Volunteer Fire Department to carry out its objective.

Basis of Presentation

The financial statements of the St. Tammany Parish Fire Protection District No. 12 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and financial reporting standards.

Reporting Entity

The financial statements of the St. Tammany Parish Fire Protection District No. 12 include all funds, account groups, and activities that are within the oversight responsibility of the District. Certain units of local government, over which the District exercises no oversight responsibility such as the parish police jury, parish school board, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying component unit financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the District.

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

Governmental Accounting Standards Board No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The St. Tammany Fire

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Notes to the Financial Statements
December 31, 2004

Protection District No. 12 is considered a component unit of the financial reporting entity because the commissioners of the District are appointed by the St. Tammany Parish Police Jury.

The accompanying financial statements present information only on the funds maintained by the St. Tammany Parish Fire Protection District No. 12 and do not present information on the Police Jury, the general government services provided by the Police Jury, or other governmental units that comprise the financial reporting entity.

Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. *A fund is a separate accounting entity with a self balancing set of accounts.*

Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, and the renovation of a fire station. The only fund in 2004 for the District was the General Fund which is the operating fund. The General Fund accounted for all the financial resources including renovations of a fire station.

Basis of Accounting

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statement of the fund presents increases (revenues and other sources) and decreases (expenditures and other uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long term debt are recorded as fund liabilities when due.

Budget Practices

Formal budgetary accounting is employed as a management control device during the year for the general fund. Formal budgetary accounting is not employed for the debt service because effective control is achieved through the indenture provisions of the certificate. The budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. All unexpended appropriations lapse at year end.

The budget is adopted annually for the General Fund in accordance with Louisiana Revised Statute 39:1304-1305. The 2004 budget was published in the official parish journal and made available for public inspection and included a public meeting.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

Notes to the Financial Statements

December 31, 2004

Periodically, individual items of the budget are compared to actual amounts, and revisions are approved if necessary.

Cash and Cash Equivalents

Cash includes demand deposits and certificates of deposit. Under state law, the District may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

Capital Assets

Capital assets are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. Furniture and equipment includes all items costing over \$1,000. Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

	<u>Years</u>
Buildings	40
Leasehold improvements	40
Furniture and equipment	5
Fire fighting equipment	10
Transportation equipment (fire truck, ambulance)	15

Compensated Absences

Employees are eligible for vacation leave after they have completed one year of full time service. Vacation hours and/or days earned are determined by the length of service on January 1 of each calendar year. Unused vacation hours are not permitted to be carried over to the next calendar year.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when the leave is actually taken. The total liability for leave privileges is recorded in the Statement of Net Assets.

Net Assets

Net assets comprise the various net earnings from operation, non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following two components:

Invested in capital assets – Consists of all capital assets, net of accumulated depreciation.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Notes to the Financial Statements
December 31, 2004

Unrestricted net assets – Consists of all other net assets that are not included in the other categories previously mentioned.

Use of Estimates

The preparation of the District's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of December 31, 2004. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used in the current financial statements.

Allowance for Uncollectible Receivables

The District's primary revenue source, ad valorem taxes, become delinquent if not paid by March 1st following the year of assessment. Unpaid taxes attach as an enforceable lien on property. The Board of Commissioners determined, based on prior historical information, that current collections estimate approximately 95% of the tax levy. At December 31, 2004, the amount of uncollectible receivables are estimated to be \$118,069.

Ad Valorem Taxes

Ad valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes.

Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor (a separate entity). All land and residential improvements are assessed at 10 percent of its fair market value, and other property at 15 percent of its fair market value. The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

NOTE 2 – RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Fund Balance	\$ 2,380,629
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,675,408
Long term liabilities are not due and payable in the current period; therefore, they are not reported in the funds	<u>(715,517)</u>
Net Assets	<u>\$ 3,340,520</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

Notes to the Financial Statements

December 31, 2004

NOTE 3 – RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balance		\$ 102,524
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds		
Governmental capital assets – current year additions	\$ 234,917	
Less accumulated depreciation	<u>(119,150)</u>	115,767
Debt used in governmental activities are not financial uses and therefore not reported in the funds – current year debt reduction		60,000
Compensated absences used in governmental activities are not financial uses and therefore not reported in the funds		<u>(12,069)</u>
Net Change in Net Assets		<u>\$ 266,222</u>

NOTE 4 – CASH

At December 31, 2004, the District has cash (book balances) totaling \$319,375.

Deposits in bank accounts 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 similar Federal security or the pledge of securities owned by the fiscal agent banks. The fair value of the pledged securities plus the Federal security must at all times equal the amount on deposit with the fiscal agents. At December 31, 2004, the District has \$399,856 in deposits (collected bank balances) that were 100% insured or collateralized with securities held by the District or its agent in the District's name.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2004, were comprised of the following:

Ad valorem taxes, net	\$ 2,243,312
State revenue sharing	48,849
Interest	1,092
	<u>\$ 2,293,253</u>

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Notes to the Financial Statements
December 31, 2004

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
Capital assets not depreciated				
Land	\$ 166,990	\$ -	\$ -	\$ 166,990
Other capital assets				
Buildings	\$ 752,044	\$ -	\$ -	\$ 752,044
Construction-in-progress	21,918	205,265	-	227,183
Less accumulated depreciation	(205,024)	(23,244)	-	(228,268)
Total Buildings	568,938	182,021	-	750,959
Furniture & Equipment	\$ 1,288,911	\$ 29,652	\$ -	\$ 1,318,563
Less accumulated depreciation	(465,198)	(95,906)	-	(561,104)
Total Furniture & Equipment	823,713	(66,254)	-	757,459
Total other capital assets	\$ 1,392,651	\$ 115,767	\$ -	\$ 1,508,418
Capital Asset Summary:				
Capital assets not depreciated	\$ 166,990	\$ -	\$ -	\$ 166,990
Other capital assets	2,062,873	234,917	-	2,297,790
Less accumulated depreciation	(670,222)	(119,150)	-	(789,372)
Capital Assets, net	\$ 1,559,641	\$ 115,767	\$ -	\$ 1,675,408

Donated fixed assets consist of the Highway 25 and Northpark properties, valued at \$55,000 and \$75,000, respectively. The properties must be used for fire protection services as stipulated in the donation agreements or the properties will revert back to the donors under terms specified in the transfer documents.

NOTE 7 – AD VALOREM TAXES

The District was authorized to levy a special ad valorem tax of 10 mills on January 17, 1998, commencing in 1998 and ending in 2007. The tax is to be used 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. In 2004, the ad valorem tax rate was approved at 8.78 mills.

On July 19, 2003, the District was authorized to levy an additional special ad valorem tax of 10 mills commencing in 2004 and ending in 2013. The tax is to be used 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. In 2004, the ad valorem tax was approved at 10 mills.

On July 20, 1996, the District was authorized to levy an additional special ad valorem tax of five mills commencing in 1996 and ending in 2005. The tax is to be used 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. In 2004, the ad valorem tax was approved at 4.39 mills.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Notes to the Financial Statements
December 31, 2004

NOTE 8 – 2% FIRE INSURANCE TAX

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that it serves. In accordance with the revised statutes, such funds shall be used only for the purposes of “rendering more efficient and efficacious” fire protection as the District shall direct.

NOTE 9 – CERTIFICATES OF INDEBTEDNESS

The District, pursuant to an election and authority granted by the State Bond Commission, was authorized to levy a special tax of 10 mills and five mills for the periods from 1994 through 2003 and from 1996 through 2005. In 2003, the 10 mills was renewed for an additional 10 years until 2013. In conjunction with the 2003 tax renewal, the District issued 2003 certificates for \$695,000, of which \$682,239 was to refinance the Series 2002 certificates’ principal and interest. The remaining funds were to cover refinancing costs. These certificates maintain the purpose of the original certificates of indebtedness which was for 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.

These certificates have a maturity of 10 years beginning in 2004, and bear interest at rates varying from 3% to 5%. Principal payments are due annually on March 1 of each year. Interest dates are March 1 and September 1. For the year ended December 31, 2004, interest expense on the certificates was \$25,325.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 60,000	\$ 24,200	\$ 84,200
2006	65,000	22,325	87,325
2007	65,000	20,375	85,375
2008	65,000	18,100	83,100
2009	70,000	15,400	85,400
Years thereafter	310,000	30,000	340,000
	<u>\$ 635,000</u>	<u>\$ 130,400</u>	<u>\$ 765,400</u>

NOTE 10 – LEASE AND RENTAL COMMITMENTS

The District has capital lease obligations for 2 laptop computers. The following is a summary of future minimum lease payments under these leases:

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

Notes to the Financial Statements

December 31, 2004

2005	\$ 3,232
2006	<u>3,232</u>
Total lease payments	6,464
Less interest	<u>(806)</u>
Present value of net minimum lease payments	<u>\$ 5,658</u>

NOTE 11 – GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the changes in the general long-term obligations of the District:

	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/04</u>	Due within <u>one year</u>
Certificates of indebtedness	\$695,000		\$60,000	\$635,000	\$ 60,000
Capital lease obligations	3,533	\$ 5,658	3,533	5,658	2,645
Compensated absences	64,914	9,945		74,859	74,859
Totals	<u>\$763,447</u>	<u>\$15,603</u>	<u>\$63,533</u>	<u>\$715,517</u>	<u>\$137,504</u>

NOTE 12 – PENSION PLAN

Substantially all employees of the St. Tammany Parish Fire Protection District No. 12 are members of the Louisiana Firefighters Retirement System (System), a multiple-employer (cost sharing) public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of fire districts and their staff, which is administered and controlled by a separate board of trustees. Contributions of participating fire districts are pooled with the System to fund accrued benefits, with employer/employee contribution rates approved by the Louisiana Legislature.

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 by state statute.

In addition to certain dedicated taxes that are remitted to the System, (which constitute major funding of the System), covered employees are required by state statute to contribute 8% of their annual covered salary to which the District added a 21% contribution as an employer's match for the first six months of 2004 and a 24% contribution as an employer's match for the last six months of 2004. The contribution for

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12

Notes to the Financial Statements

December 31, 2004

the year ended December 31, 2004 was \$215,577. The District's total payroll was \$1,043,305 for the year ended December 31, 2004, while payroll covered by the System was \$956,012.

NOTE 13 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Annual contributions to the plan may not exceed the lesser of 25% of participating employee's gross salary or \$12,000. Salaries of employees participating in this plan for the year ended December 31, 2004 totaled \$688,146. The plan requires that the minimum contribution be equal to the current employee's withholding rate for social security. The employer's contribution was \$83,450 and the employees' contribution was \$11,476 for the year ended December 31, 2004. Employee contributions are made as a non-taxable payroll deduction. The District has elected to contribute an additional amount to the plan as an extra benefit to participating employees.

All amounts of the compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participant's rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the District's legal counsel that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future. Accordingly, the plan assets and related liabilities have not been included herein.

Investments are managed by the plan's administrator (Deferred Compensation Plan). The plan participants make the choices of the investment option(s).

NOTE 14 – FEMA GRANT

During 2004, the District was awarded two grants from the Federal Emergency Management Agency in the amount of \$131,210 and \$111,900 to implement a safety compliance update program and to establish a fire prevention bureau for inspection and risk management, respectively. The federal funding was 90% or \$118,089 and \$100,710, respectively, and the District provided a 10% match or \$13,121 and \$11,190, respectively.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Notes to the Financial Statements
December 31, 2004

NOTE 15 - COMMITMENTS

In October 2003, the District entered into a \$142,000 construction contract to renovate Fire Station No. 4. As of December 31, 2004, \$142,911 had been expended.

NOTE 16 – SUPPLEMENTAL SALARIES

During the year, the full time employees received additional pay in the amount of \$97,800 from the State of Louisiana. These intergovernmental funds are not reflected in the financial statements of the District for the year ended December 31, 2004.

NOTE 17 – BEGINNING NET ASSETS/FUND BALANCE, RESTATED

Beginning net assets/fund balance at January 1, 2004, has been restated as follows:

	<u>Net Assets</u>	<u>Fund Balance</u>
December 31, 2003	\$ 2,910,753	\$ 2,114,560
Correction of investment in capital assets	3,533	3,533
Correction of prior year voided checks	135,206	135,206
Correction of reserve for contingency	(22,657)	(22,657)
Correction of prior year employer's pension contributions	<u>47,463</u>	<u>47,463</u>
January 1, 2004	<u>\$ 3,074,298</u>	<u>\$ 2,278,105</u>

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Statement of Revenues, Expenditures, and Changes
in Fund Balance – General Fund – Budget and Actual
Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem taxes	\$ 1,868,370	\$ 1,868,370	\$ 2,247,305	\$ 378,935
State revenue sharing	66,000	66,000	72,205	6,205
2% fire insurance tax	51,000	51,000	45,921	(5,079)
Interest income	10,000	10,000	14,481	4,481
Grant income		112,700	136,595	23,895
Miscellaneous income		9,000	6,966	(2,034)
Total revenues	<u>1,995,370</u>	<u>2,117,070</u>	<u>2,523,473</u>	<u>406,403</u>
Expenditures				
Telephone and communications	40,000	25,470	17,584	7,886
Repairs and maintenance	20,000	43,400	59,454	(16,054)
Retirement contributions	87,000	42,500	215,577	(173,077)
Education and training	20,000	35,000	34,396	604
Utilities	35,000	28,800	29,593	(793)
Medical	15,000	12,600	11,539	1,061
Miscellaneous	12,000			
Advertising		2,451	3,379	(928)
Bank charges		89	116	(27)
Board expenses		5,860	7,100	(1,240)
Legal and professional	10,000	23,000	22,865	135
Salaries	960,000	1,002,000	1,034,082	(32,082)
Supplies	25,970	36,522	38,307	(1,785)
Debt service				
Principal	118,000	59,500	60,000	(500)
Interest	30,000	25,000	31,827	(6,827)
Payroll taxes	37,000	22,000	22,545	(545)
Travel	7,000	6,578	6,020	558
Uniforms	15,000	12,000	13,309	(1,309)
Capital outlay	165,000	222,600	234,917	(12,317)
Fuel and oil	30,000	21,600	23,098	(1,498)
Dispatch expense	90,200	45,500	43,246	2,254
Dues and subscriptions	1,200	2,500	2,507	(7)
Fire prevention and education	4,000	8,400	9,501	(1,101)
Civil service	2,400	2,400		2,400
Insurance				
Property and casualty	45,000	48,000	50,710	(2,710)
Workers compensation	80,000	116,000	127,869	(11,869)
Medical	130,000	136,000	148,692	(12,692)
Rent	3,600	3,600	4,645	(1,045)
Equipment leases	12,000	13,500	14,086	(586)
Election millage expense		3,500	8,690	(5,190)
Grant expense		110,700	145,295	(34,595)
Total expenditures	<u>1,995,370</u>	<u>2,117,070</u>	<u>2,420,949</u>	<u>(303,879)</u>
Excess (deficiency) of revenues over expenditures	<u>None</u>	<u>None</u>	<u>\$ 102,524</u>	<u>\$ 102,524</u>

**Other Report Required By
Government Auditing Standards**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

Roy Chenevert

CERTIFIED PUBLIC ACCOUNTANT

12605 S. HARRELLS FERRY ROAD, SUITE 5
BATON ROUGE, LA 70816-2563

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MEMBER OF:

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AICPA PRIVATE COMPANIES PRACTICE SECTION
SOCIETY OF LOUISIANA CPAs

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS

Board of Commissioners
St. Tammany Parish Fire Protection District No. 12
Covington, Louisiana

We have audited the basic financial statements of the St. Tammany Parish Fire Protection District No. 12, a component unit of the St. Tammany Parish Police Jury, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Tammany Parish Fire Protection District No. 12's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the St. Tammany Parish Fire Protection District No. 12's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The results of our tests disclosed the reportable condition which is described in the accompanying schedule of findings as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition discussed previously to be a material weakness. In addition, we noted a matter involving the internal control over financial reporting that we have reported to management of the St. Tammany Parish Fire Protection District No. 12 in a separate letter dated May 23, 2005.

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

Roy Chenevert, CPA

Baton Rouge, Louisiana
May 23, 2005

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Schedule of Findings
For the Year Ended December 31, 2004

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

2004-1: Audit Adjustments

The general ledger required 23 audit adjusting entries in order to properly report the District's current year transactions. We recommend that the District's certified public accountant who performs monthly bookkeeping services analyze the general ledger accounts on a monthly basis for reasonableness, and that necessary adjustments be recorded. Properly adjusting the general ledger on a monthly basis will provide management with timely information necessary to operate the District.

Compliance: No instances of noncompliance were identified.

**Management's Corrective Action Plan and
Response to the Finding and Recommendation**



St. Tammany Fire District 12

115 Northpark Boulevard
Covington, LA 70433
Bus. (985) 892-5161
Fax (985) 809-8007
www.FD12.org

June 23, 2005

Mr. Ray Chenevert
Certified Public Accountant
12605 Harrells Ferry Road
Baton Rouge, Louisiana 70816-2563

Re: Audit Report

Dear Mr. Chenevert:

I reviewed the preliminary draft of your audit report with Treasurer Jim Rappold, especially the comments regarding internal control over financial reporting and the necessary audit adjustments. I have also been in contact with our CPA Frenz Dyer, and Associates.

The CPA has assured me that they understand the changes needed to bring us into full compliance with your recommendations. The changes in procedure will be effective immediately and are designed to eliminate the need for any future audit adjustments.

We appreciate you bringing this matter to our attention.

Sincerely,



Ray M. Newton

Ray M. Newton
Fire District Administrator

Cc: Treasurer
Adm. Assistant

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 12
Summary Schedule of Prior Audit Findings

For the Years Ended December 31, 2003 and 2002

2003-1: Cash receipts not posted monthly in the general ledger.

Status of Finding: Fully resolved

The District's cash receipts are posted monthly in the general ledger.

2003-2: Investment activity not posted to the general ledger.

Status of Finding: Fully resolved

The District's investment activity is posted monthly in the general ledger.

2003-3: Audit not completed on timely basis as required by revised statutes.

Status of Finding: Fully resolved

Current year audit of the District was completed within the time frame established by revised statutes.

SUPPLEMENTAL INFORMATION SCHEDULE

PER DIEM PAID COMMISSION MEMBERS

The schedule of per diem paid to commission members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 33:405(G). Commission members are paid \$100 per day for board meetings and \$50 per committee meetings up to two meetings per month.

**St. Tammany Parish Fire Protection District No. 12
Schedule of Per Diem Paid Commission Members
For the Year Ended December 31, 2004**

<u>Commissioners</u>	<u>Amount</u>
Tom Davies	\$ 1,300
Joe Mitternight	1,450
Jim Rappold	2,500
Michael Taylor (term began May 2004)	200
Tasso Taylor	1,350
Rick Timmell (term ended March 2004)	<u>300</u>
Total	<u>\$ 7,100</u>

Roy Chenevert

CERTIFIED PUBLIC ACCOUNTANT

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MEMBER OF:

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SOCIETY OF LOUISIANA CPAs

To the Commission Members of
St. Tammany Parish Fire Protection District No. 12

In planning and performing our audit of the financial statements of St. Tammany Parish Fire Protection District No. 12 for the year ended December 31, 2004, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, we became aware of the following matters that are an opportunity for strengthening internal controls and operating efficiency. These comments do not affect our report dated May 23, 2005, on the financial statements of the District.

Personnel Files

Documentation for current authorized pay and tax withholding forms is not maintained in the personnel files, but is kept with payroll records generated at the time of any changes. In order to find these documents, the dates of any changes must first be known. We recommend that all such documentation be kept in each employee's personnel file.

This report is intended solely for the information and use of the District and management of St. Tammany Parish Fire Protection District No. 12.

Roy Chenevert, CPA

Baton Rouge, Louisiana
May 23, 2005



St. Tammany Fire District 12

115 Northpark Boulevard
Covington, LA 70433
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Fax (985) 809-8007
www.FD12.org

June 23, 2005

Mr. Ray Chenevert
Certified Public Accountant
12605 Harrells Ferry Road
Baton Rouge, Louisiana 70816-2563

Re: Audit Report

Dear Mr. Chenevert:

I reviewed the preliminary draft of your audit report with Treasurer Jim Rappold, especially the comments recommending that copies of all payroll and tax withholding records.

We have begun the process of collecting the information necessary to bring the personnel files up to date. The file update is scheduled to be completed by July 15, 2005.

We appreciate you bringing this matter to our attention.

Sincerely,



Ray M. Newton

Ray M. Newton
Fire District Administrator

Cc: Treasurer
Adm. Assistant