

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Audited Financial Statements Year Ended December 31, 2010

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

Release Date 8/31/11

Caddo Parish Fire District No. 1 Blanchard, Louisiana

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Independent Auditor's Report

Board of Commissioners
Caddo Parish Fire District No. 1
Shreveport, Louisiana

I have audited the accompanying basic financial statements of Caddo Parish Fire District No. 1 (a component unit of the Caddo Parish Commission) as of December 31, 2010, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Fire District No. 1 as of December 31, 2010, and the changes in its financial position for the year then ended in conformity with United States of America generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 27, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Governmental Auditing Standards and should be considered in assessing the results of my audit.

Management's discussion and analysis on page 5-10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which

consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements of Caddo Parish Fire District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jane R. McCallal, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
June 27, 2011



CADDO PARISH FIRE DISTRICT #1

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Fire Chief

Dan J. Cotten

Deputy Fire Chief

Jeff S. Akes

Board of Commissioners

Wm. B. "Pete" King, Chairman

Sarah M. Bostwick

L.D. Davidson

Carlos Gipson

Don Jones

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

Our discussion and analysis of Caddo Parish Fire District No. 1's (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2010. Please read it in conjunction with the District's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

For 2010, the total general revenues for the District were \$2,088,759.

During the year ended December 31, 2010, the District had total expenses, excluding depreciation, of \$1,859,876.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Caddo Parish Fire District No. 1 is a component unit of the Caddo Parish Commission. The Caddo Parish Commission is financially accountable for the District because it appoints the District's governing body and has the ability to impose its will on them. The accompanying financial statements present information only on the funds maintained by Caddo Parish Fire District No. 1.

REPORTING THE CADDO PARISH FIRE DISTRICT NO. 1 AS A WHOLE

Our analysis of Caddo Parish Fire District No. 1 as a whole begins on page 7. One of the most important questions asked about the District's finances is "Is Caddo Parish Fire District No. 1

as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Accruals of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

The Statement of Net Assets and the Statement of Activities, report the results of the transactions of the District's only fund – the General Fund. This is the fund where all governmental activities of the District are recorded. All of the expenses paid from the General Fund maintained by Caddo Parish Fire District No. 1 are reported here which consists primarily of personal services, materials and supplies, fuel, repairs and maintenance, salaries, and other program services. Ad valorem taxes finance most of these activities, along with fees charged for emergency medical services.

Reporting the District's General Fund

The fund financial statements begin on page 14 and provide detailed information about the Caddo Parish Fire District No. 1's General Fund taken as a whole. The District maintains only one governmental fund (General Fund) that uses the following accounting approaches: All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund financial statements are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain District expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at page 15.

CADDO PARISH FIRE DISTRICT NO. 1 AS A WHOLE

Following is the summary information from the statement of net assets (Table 1) and the statement of activities (Table 2) as of December 31, 2010 and 2009:

**Table 1
Net Assets**

	Governmental Activities	
	2010	2009
Assets:		
Current and other assets	\$2,679,345	\$1,937,348
Capital assets, net	1,155,768	1,531,612
Total assets	\$3,835,113 ✓	\$3,468,960 ✓
Liabilities:		
Current liabilities	\$ 267,888	\$ 189,401
Long-term liabilities	432,000	505,000
Total liabilities	699,888 ✓	694,401 ✓
Net assets:		
Investment in capital assets, net of related debt	650,768	930,936
Unrestricted – designated for capital additions	895,297	119,675
Unrestricted – undesignated	1,589,160	1,723,948
Total net assets	3,135,225 ✓	2,774,559 ✓
Total net assets & liabilities	\$3,835,113	\$3,468,960

Net assets of the District's governmental activities increased by \$360,666 or 13%. Unrestricted net assets, the part of net assets that can be used to finance the District expenses without constraints or other legal requirements, decreased from a year ago, from \$1,723,948 at December 31, 2009 to \$1,589,160 at December 31, 2010. The primary reason for increased net assets is the gain resulting from the difference in estimated insurance proceeds from the destruction of the Central Fire Station on October 7, 2010 and the carrying value of the building and contents of the Central Fire Station at the date of the fire. See note 8 to the financial statements for more detailed explanations.

**Table 2
Statement of Activities**

	Governmental Activities	
	2010	2009
Revenue:		
Ad valorem taxes	\$1,485,215	\$1,413,742
EMS insurance revenue	372,820	239,928
State supplemental pay	90,000	79,401
State revenue sharing	51,720	50,192
Fire tax rebate	40,852	39,389
Insurance reimbursement for extra expense	20,500	-
Interest	16,801	14,484
HRSA grant	7,526	9,546
Royalty income	2,975	-
Miscellaneous income	350	-
Total revenue	2,088,759 ✓	1,846,682 ✓
Expenses - General governmental	2,016,118	1,763,593
Increase from operations	72,641	83,089
Gain on insurance reimbursement	288,025	-
Increase in net assets	\$ 360,666 ✓	\$ 83,089 ✓

Total revenue increased \$242,077 in 2010. Total revenue in the year ended December 31, 2009 was \$1,846,682, as compared to revenue of \$2,088,759 in the year ended December 31, 2010. The primary reasons for the increase in revenue are an increase in tax revenue, EMS revenue and reimbursement of expenses related to the fire at the Central Station.

THE DISTRICT'S FUNDS

As the District completed the year, its Unrestricted General Fund net assets (as presented in the balance sheet on page 11) reported a fund balance of \$1,589,160 or a decrease of \$134,788 in 2010. The District experienced a complete loss of its Central Station on October 7, 2010 and, as a result, experienced significantly increased additional operating expenses. The extent of those expenses and the amount to be reimbursed by the insurance company has not yet been finally agreed to between the District and the Insurance Company.

General Fund Budgetary Highlights

The District adopted a budget for its General Fund for the year ended December 31, 2010. There was one amendment to the budget during the year. The District's budgetary comparison is presented as required supplementary information and shown on page 32. Highlights for the year are as follows:

General Fund revenues were approximately \$223,000 greater than final budgeted amounts based on the accrual financial statements. This is primarily due to the budget being cash focused where the financial statements are on an accrual basis. The budgetary comparison schedule presents information only on the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2010, the District had invested \$2,310,554 in capital assets. (See Table 3)

**Table 3
Capital Assets at Year End**

	Governmental Activities	
	2010	2009
Building and land	\$ 478,886	\$1,101,635
Vehicles	1,264,201	1,071,461
Equipment	567,467	700,534
Total	\$2,310,554	\$2,873,630
Major additions include:		
Building and land	\$ 18,465	\$ -
Vehicles	215,283	-
Equipment	34,247	47,346
Total additions	\$267,995	\$47,346

More detail information about capital assets is presented in Note 5 to the financial statements.

Debt

In 2004, the District issued certificates of indebtedness totaling \$389,000 for the purpose of acquiring machinery and equipment to be used in giving fire protection to the property in the District. In 2007, the District issued an additional \$500,000 in certificates of indebtedness to fund additions to its central station and purchase a new vehicle. The certificates of indebtedness are payable from general revenue of the District.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2010	2009
Certificates of indebtedness	\$505,000	\$581,000

More detailed information about the debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's management considered many factors when setting the December 31, 2010 budget. Amounts available for appropriation in the governmental funds are expected to remain approximately the same. In addition to normal operations, the District is faced with the need to rebuild its Central Fire Station. See Note 8 to the financial statements with respect to certain contingencies involved in this project; however, between anticipated insurance recoveries and additional borrowings, the District anticipates expending \$1.7 million to \$2 million in 2011 to rebuild and expand the Central Station along with replacing equipment lost due to the fire on October 7, 2010.

Effective January 1, 2011, the District also merged with Caddo Parish Fire District No. 2. The financial statements presented herein do not reflect any adjustments reflecting this merger.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by Caddo Parish Fire District No. 1 and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Caddo Parish Fire District No. 1, at P.O. Box 538, Blanchard, Louisiana 71109.

Dan J. Cotten, Chief
June 27, 2011

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Statement of Net Assets

<u>December 31,</u>	<u>2010</u>
Assets:	
Cash and cash equivalents	\$ 52,643
Accounts receivable:	
Ad valorem tax receivable, net	1,485,710
Insurance reimbursement	774,077
EMS revenue	89,735
State revenue sharing	50,870
Prepaid insurance	19,588
Bank certificate of deposit	206,722
Capital assets, net	1,155,768
Total assets	\$3,835,113
Liabilities:	
Accounts payable	\$ 99,439
Accrued liabilities	89,265
Accrued interest	6,184
Long-term liabilities:	
Bond payable - Portion due within one year	73,000
Bond payable - Portion due after one year	432,000
Total liabilities	699,888
Commitments and contingencies (Note 8)	
Net Assets:	
Investment in capital assets, net of related debt	650,768
Unrestricted - designated for capital additions	895,297
Unrestricted - undesignated	1,589,160
Total net assets	3,135,225
Total net assets and liabilities	\$3,835,113

See accompanying summary of significant accounting policies and notes to financial statements.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Statement of Activities

<i>Year Ended December 31,</i>	<i>2010</i>
Revenue:	
Ad valorem taxes	\$1,485,215
EMS revenue	372,820
State supplemental pay	90,000
State revenue sharing	51,720
Fire tax rebate	40,852
Insurance reimbursement – extra expenses	20,500
Interest	16,801
HRSA grant	7,526
Royalty income	2,975
Miscellaneous	350
Total revenue	2,088,759 ✓
Expenditures:	
Public Safety:	
Personal services	1,347,721
Operating services	381,914
Materials and supplies	109,736
Travel and other	1,450
Depreciation	156,242
Interest	19,055
Total expenditures	2,016,118 ✓
Excess of revenue over expenditures before gain on insurance reimbursement	72,641 ✓
Gain on insurance reimbursement	288,025 ✓
Excess of revenue over expenditures	\$ 360,666 ✓

Continued

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Statement of Activities
Concluded**



<i>Year Ended December 31,</i>	2010
Net assets - beginning of year	\$2,774,559
Net assets - end of year	\$3,135,225

See accompanying summary of significant accounting policies and notes to financial statements.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Balance Sheet – Governmental Funds

<u>December 31,</u>	<u>2010</u>
Assets:	
Cash and cash equivalents	\$ 52,643
Ad valorem tax receivable, net of allowance for doubtful accounts	1,485,710
Insurance reimbursement	774,077
EMS revenue	89,735
State revenue sharing	50,870
Prepaid insurance	19,588
Long-term bank certificate of deposit	206,722
Total assets	\$2,679,345 ✓
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 99,439
Accrued liabilities	40,331
Total liabilities	139,770 ✓
Fund balances:	
Unreserved – designated for capital additions	895,297
Unreserved - undesignated	1,644,278
Total fund balances	2,539,575 ✓
Total liabilities and fund balances	\$2,679,345

See accompanying summary of significant accounting policies and notes to financial statements.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets**

<i>December 31,</i>	2010
Total Fund Balances at December 31, 2010 – Governmental Funds	\$2,539,575
Cost of capital assets at December 31, 2010, less – accumulated depreciation as of December 31, 2010	1,155,768
Compensated absences at December 31, 2010	(48,934)
Long-term liabilities at December 31, 2010 Bonds payable, including accrued interest of \$6,184	(511,184)
Net assets at December 31, 2010 - Governmental Activities	\$3,135,225

See accompanying summary of significant accounting policies and notes to financial statements.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Statement of Revenue, Expenditures, and Changes
in Fund Balance – Governmental Funds**



Year Ended December 31, 2010

Revenue:	
Ad valorem taxes	\$1,485,215
EMS revenue	372,820
State supplemental pay	90,000
State revenue sharing	51,720
Fire tax rebate	40,852
Insurance reimbursement – extra expenses	20,500
Interest	16,801
HRSA grant	7,526
Royalty income	2,975
Miscellaneous	350

Total revenue	2,088,759 ✓
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Expenditures:	
Public Safety:	
Current:	
Personal services	1,357,384
Operating services	362,590
Materials and supplies	109,736
Travel and other	1,450
Debt service	76,000
Interest expense	19,716
Capital outlay	267,995

Total expenditures	2,194,871 ✓
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Excess of expenditures over revenue before insurance reimbursement	(106,112) ✓
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Insurance reimbursement	775,623 ✓
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Excess of revenue over expenditures	669,511 ✓
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Fund balances, beginning of year	1,870,064
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Fund balances, end of year	\$2,539,575 ✓
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See accompanying summary of significant accounting policies and notes to financial statements.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes
in Fund Balances – Governmental Funds to the Statement of Activities**

<i>Year Ended December 31,</i>	<i>2010</i>
Net change in fund balance – total governmental funds	\$ 669,511
Amount reported for governmental activities in the statement of activities are different because:	
<p>Capital outlays are reported in governmental funds as expenditures. <i>However</i>, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period:</p>	
Depreciation expense	\$(156,242)
Capital outlay	<u>267,995</u>
	111,753
Loss on capital assets	(487,598)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	76,000
Change in vacation accrual for the year ended December 31, 2010	(9,661)
Interest expense is accrued as a liability in the Statement of Net Assets, but expensed only when paid for governmental funds	661
Change in net assets of governmental activities	\$360,666

See accompanying summary of significant accounting policies and notes to financial statements.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Summary of Significant Accounting Policies

Introduction

Caddo Parish Fire District No. 1 (the "District") was created by Ordinance No. 2034 adopted by the Caddo Parish Commission on October 6, 1982. The governing body of the District consists of a five member Board of Commissioners, appointed by the Caddo Parish Commission, the Town of Blanchard and by the board. Board members receive compensation as provided for by law.

Basis of Presentation

The financial statements of Caddo Parish Fire District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the Caddo Commission is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) the primary government (Caddo Commission), (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.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Summary of Significant Accounting Policies (Continued)

Reporting Entity - (continued)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Commission for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity are financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Commission to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Commission.
2. Organizations for which the Commission does not appoint a voting majority but are fiscally dependent on the Commission.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Caddo Parish Commission appoints the Organization's governing body, the District was determined to be a component unit of the Caddo Parish Commission, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Summary of Significant Accounting Policies *(Continued)*

Basic Financial Statements – Government Wide Statements

The financial statements of Caddo Parish Fire District No. 1 include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The net assets of Caddo Parish Fire District No. 1 are reported in two parts - invested in capital assets (net of related debt) and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, which must be directly associated with the function. The net cost (by function) is normally covered by general revenues.

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Caddo Parish Fire District No. 1 are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The District's current activities require only the use of a general fund at present. Revenues of the General Fund include ad valorem taxes, state revenue sharing, fees and interest earnings. All expenditures of the District are made from the General Fund.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/ expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. As previously stated, the District maintains only one fund at present.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Summary of Significant Accounting Policies (Continued)

Basis of Accounting	<p>Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.</p> <p><i>Government-wide Financial Statements.</i> The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.</p> <p>Revenues of the District consist principally of ad valorem taxes, other intergovernmental revenues, fees, and interest income. Ad valorem taxes are billed and generally collected within the fiscal year in which the taxes are levied. Interest income is recorded when earned. Intergovernmental and fee revenues are generally susceptible to accrual and, accordingly, the revenue is recorded when earned rather than when the payment is received in cash.</p> <p><i>Fund Financial Statements.</i> The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenue is recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is the principal and interest on general obligation long-term debt, if any, is recognized when due. Depreciation is not recognized in the governmental fund financial statements.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original or remaining maturity of three months or less.</p>
Accounts Receivable	<p>Uncollectible amounts due for ad valorem taxes are recognized as uncollectible using the allowance method. The allowance for uncollectible accounts at December 31, 2010 was \$45,900.</p>

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

Building and building improvements	20-40 years
Equipment	5-20 years
Vehicles	5-15 years
Furniture and fixtures	5-10 years

Budget

A budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund expenditures. All annual appropriations lapse at year end.

On or before the last meeting of each year, the proposed budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next year.

The proposed budget is presented to the district's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Expenditures may not legally exceed budgeted appropriations by more than five percent.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Summary of Significant Accounting Policies
(Concluded)**

**Long-term
Obligations**

Long-term obligations are reported as liabilities in the government-wide statements. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as fund liabilities of a governmental fund.

Fund Equity

Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Subsequent Events

Management evaluated events subsequent to the District's most recent year end through June 27, 2011, the financial statement issuance date. On January 1, 2011, the District merged with Caddo Parish Fire Protection District No. 2. The assets of Caddo Parish Fire Protection District No. 2 are not included in these financial statements.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Notes to Financial Statements

1. Ad Valorem Taxes and Service Fees

For the year ended December 31, 2010, the following taxes were levied on property with assessed valuations totaling \$68,493,810:

Operations and maintenance	15.58 mills
Service Fee	\$75.00

Total taxes levied were \$1,531,610.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

2. Cash and Cash Equivalents

At December 31, 2010, the district has cash and cash equivalents (book balances) as follows:

Demand deposits	\$ 52,643
Certificates of deposit	206,722
	\$259,365

Those 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 fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2010, the district has \$271,418 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities totaling \$618,990.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Notes to Financial Statements (Continued)

2. Cash and Cash Equivalents - (continued) The pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the District. Accordingly, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

3. Accounts Receivable Accounts receivable consisted of the following at December 31, 2010:

Ad valorem tax and service fees	\$1,531,610
Intergovernmental revenue – revenue sharing	50,870
EMS income	89,735
	1,672,215
Allowance for uncollectible taxes	(45,900)
	\$1,626,315

4. Other Receivables The District suffered a loss of its central station and equipment due to a fire in October 2010. The other receivable includes the amount of insurance reimbursements for contents made in 2011 plus the expected property damage reimbursements totaling \$774,077.

The estimated replacement cost for the building and equipment expects to be approximately \$1.3 million, but the District is unaware of the probability of collecting amounts above the accrual made on the balance sheet.

5. Property and Equipment A summary of changes in capital assets for the year ended December 31, 2010, follows:

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Notes to Financial Statements
(Continued)**

**5. Property and Equipment
- (continued)**

**Changes in Capital Assets
Year Ended December 31, 2010**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets:				
Buildings and Land	\$1,101,635	\$ 18,465	\$641,214	\$ 478,886
Vehicles	1,071,462	215,283	22,544	1,264,201
Equipment	700,534	34,247	167,314	567,467
Total capital assets	2,873,631	267,995	831,072	2,310,554
Less accumulated depreciation:				
Buildings and Land	391,359	24,845	203,803	212,401
Vehicles	550,633	63,131	22,543	591,221
Equipment	400,027	68,266	117,129	351,164
Total accumulated Depreciation	1,342,019	156,242	343,475	1,154,786
	\$1,531,612	\$111,753	\$487,597	\$1,155,768

6. Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2010:

Payable January 1, 2010	\$581,000
Retired	(76,000)
Payable December 31, 2010	\$505,000

(Continued)

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Notes to Financial Statements
(Continued)**

6. Long-Term Debt
- (continued)

Certificates of indebtedness at December 31, 2010, are comprised of the following issue:

	2010
3.29 percent certificates of indebtedness dated April 1, 2004; due in annual installments of \$45,000 to \$60,000 through March 1, 2011; plus interest due semiannually on March 1 and September 1.	\$ 55,000 ✓
Certificates of indebtedness dated March 1, 2007; due in annual installments of \$1,000 to \$94,000 through March 1, 2016; plus interest ranging from 1% to 5% due semiannually on March 1 and September 1	420,000 ✓
Non-interest bearing certificates of indebtedness due in annual installments of \$15,000 through March 1, 2012	30,000 ✓
Total long-term debt	505,000 ✓
Less - Current maturities	(73,000) ✓
Long-term debt	\$432,000 ✓

The annual requirements to amortize all debt outstanding as of December 31, 2010, are as follows:

<i>Year Ending December 31,</i>	Principal	Interest	Total
2011	\$ 73,000	\$17,616	\$ 90,616
2012	79,000	15,962	94,962
2013	83,000	13,893	96,893
2014	86,000	10,760	96,760
2015	90,000	6,837	96,837
2016	94,000	2,350	96,350
	\$505,000 ✓	\$67,418	\$572,418

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Notes to Financial Statements (Continued)

7. Louisiana Firefighters Retirement System Pension

Plan Description. Substantially all full-time employees of Caddo Parish Fire District No. 1 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 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 after age 50 with at least 20 years of creditable service. At retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% 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). The plan also provides disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report can be obtained by writing to the *Firefighters' Retirement System*, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809, by calling (504) 925-4060 or www.lafirefightersret.com.

Funding Policy. Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the Caddo Parish Fire District No. 1 is required to contribute at an actuarially determined rate. The current rate is 21.5 percent of annual covered payroll. Contribution requirements of plan members and the Caddo Parish Fire District No. 1 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 for the prior fiscal year. The District's contributions to the System for the years ended December 2010, 2009, and 2008 were \$132,202, \$89,597, and \$94,421, respectively.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Notes to Financial Statements (Continued)

8. Commitments and Contingencies

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries commercial insurances for all risks of loss, including workers compensation. However, as noted below, the District found, during 2010, that property coverage was inadequate and has undertaken to review all property and casualty insurance coverage to insure that proper limits are maintained.

On October 7, 2010, the Central Station was totally demolished due to fire. In the course of filing claims for the losses incurred, the District found that the limits of coverage on the building and contents were insufficient as listed on the scheduled coverage. As part of the initial claim, the third party adjuster for the insurance company determined the cost to "repair" the damage to the building would be approximately \$673,000 and informed the District that, in order to move forward with the claim, an additional \$11,417 premium payment would be required. This was based on the premium difference between that amount paid based on the original coverage of \$201,750 and the premium payable for the prior three years had the coverage been approximately \$673,000. This premium was paid by the District in 2011 as requested by the adjuster.

The insurance policy under which all claims are being made provides for full replacement cost in the event of total loss. Subsequent to the insurance adjuster's initial assessment, the Fire Marshall for the State of Louisiana issued notice that the building and contents were a total loss and condemned the structure, grounds and contents. Accordingly, it is the position of the District that the building "repair" cost of \$673,000 is an inappropriate basis upon which to base any property damage claim payment. Based on the assessment of an independent risk manager hired by the District, the cost to replace the building to the state it was prior to the fire damage, adjusting for current building code requirements, is approximately \$1,033,000. The adjuster for the insurance company has taken exception to this assertion.

Caddo Parish Fire District No. 1 Blanchard, Louisiana

Notes to Financial Statements (Concluded)

- 8. Commitments and Contingencies - (continued)** The District's risk manager has estimated the replacement cost for personal property lost in the fire exceeds \$200,000; however, the actual loss cannot presently be determined since personal property must first be repurchased prior to determination of final loss.

Exclusive of extra costs incurred by the District due to the fire loss, based on its calculations and those of the risk manager, the District believes the potential recovery from the insurance company should be approximately \$1.2 million to \$1.3 million. Through June 24, 2011, total cash amounts received related to the building and contents losses are \$200,705 and \$80,577, respectively. Additionally, a payment was received in May 2011 for \$41,057, of which approximately \$20,500 was for extra expenses incurred through December 31, 2010.

Management believes that the ultimate recovery for the fire loss will approximate \$1.2 million, but, in recognition of the contingencies involved due to the initial underinsurance of the building, has elected to record as claim proceeds only the amounts for which the insurance company's representative has agreed for building "repair" costs as well as the amounts received in cash through the date of issuance of the financial statements. Accordingly, while management believes the District is entitled to the full loss value of \$1.2 million or greater, the amount recorded as receivable at December 31, 2010 is \$774,077.

- 9. On-Behalf Payments For Fringe-Benefits and Salaries** GASB Statement No. 24 requires that on-behalf payments be recognized as both revenue and expenditure by an employer governmental entity. In accordance with this Statement, \$90,000 has been recognized as state supplemental pay revenue and public safety expenditure due to on-behalf payments for fringe benefits and salaries.

- 10. Insurance Revenue** The District charges for emergency medical services it provides. Insurance revenue represents the net amount of those charges either paid or expected to be paid by either medical insurance or private payments.

Supplemental Information



**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

**Statement of Revenue, Expenditures, and Changes in Fund
Balance – Budget and Actual (GAAP Basis) – General Fund
Year Ended December 31, 2010**

	<u>Budget Amounts</u>		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$1,383,770	\$1,410,190	\$1,485,215	\$ 75,025
Insurance revenues	300,000	320,000	372,820	52,820
State supplemental pay	-	-	90,000	90,000
State revenue sharing	51,950	51,605	51,721	116
Fire insurance rebate	39,400	36,755	40,852	4,097
Interest	12,000	17,625	16,800	(825)
HRSA Grant	9,000	7,525	7,526	1
Miscellaneous	500	22,395	23,825	1,430
Total revenues	1,796,620	1,866,095	2,088,759	222,664
Expenditures:				
General government	1,504,306	1,621,807	1,850,876	(229,069)
Capital outlay	9,000	293,325	267,995	25,330
Debt service	75,000	76,000	76,000	-
Total expenditures	1,588,306	1,991,132	2,194,871	(203,739)
Excess (deficiency) of revenue over expenditures	208,314	(125,037)	(106,112)	18,925
Fund balances, beginning of year	1,870,064	1,870,064	1,870,064	-
Fund balances, end of year	\$2,078,378	\$1,745,027	\$1,763,952	\$ 18,925

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Schedule of Compensation Paid Commissioners

Year Ended December 31, 2010

Carlos Gipson	\$ 800
Don Jones	800
L.D. Davidson	650
William "Pete" King	650
Sarah Bostwick	550
<hr/>	
Total	\$3,450



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

Board of Commissioners
Caddo Parish Fire District No. 1
Shreveport, Louisiana

I have audited the basic financial statements of the Caddo Parish Fire District No. 1, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2010, and have issued my report thereon dated June 27, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance, as further discussed at Item 2010-01 on the Schedule of Findings and Questioned Costs, that is required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's management, the Board of Commissioners, the Caddo Parish Commission, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Jane K. McCallad, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
June 27, 2011

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Summary of Audit Results

Year Ended December 31, 2010

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Caddo Parish Fire District No. 1.
2. No control deficiencies in internal accounting control were disclosed during the audit of the financial statements as reported in the auditor's 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*.
3. One instance of noncompliance was disclosed during the audit of the financial statements as reported in the auditor's 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*.
4. A separate management letter was issued to Caddo Parish Fire District No. 1, Blanchard, Louisiana.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2010

Compliance Matters

2010-01 – Public Budget Law

Instance of noncompliance. Under applicable sections of the Public Budget Law (R.S. 39: 1305-16), the steps to be taken in establishing the District's budget require that, to the extent proposed expenditures are greater than \$500,000, the budget be available for public inspection and that its availability be published in the District's official journal. The advertisement shall include the date, time and place of the public hearing on the budget. Notice is also to be published certifying that all actions required by the Local Government Budget Act have been completed (R.S. 39:1307). Such notifications were not published.

Reason for non-compliance. Management was unaware of the requirement and believed that the steps taken in posting notification in the same manner as it does for other public meetings was the only requirement.

Management's response: We agree with the finding and will take steps to ensure all requirements of the Local Government Budget Act are followed in the future.

**Caddo Parish Fire District No. 1
Blanchard, Louisiana**

Schedule of Prior Year's Audit Findings

Year Ended December 31, 2010



Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
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2009-01	2009	Failure to follow budget law.	Has not been fully complied with.
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7330 Fern Avenue, Suite 1104
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June 28, 2011

Board of Commissioners
Caddo Parish Fire District No. 1
Shreveport, Louisiana

Ladies and Gentlemen:

During the course of my audit of the District's financial statements for the year ended December 31, 2010, I observed the District's significant accounting policies and procedures and certain business, financial, tax, and administrative practices. As a result of my observations, I suggest you consider the following:

Administrative 2010-01
The District should review its insurance coverages.

On October 7, 2010, the District experienced the full loss of its Central Station, along with a large amount of the personal property therein. When the claim was filed, it was determined that the structure was insured for approximately \$200,000 and the contents for approximately \$20,000. The lack of adequate coverage for the building, the replacement cost of which is slightly in excess of \$1 million has hindered the District's recovery efforts. Proper risk management requires that any insured periodically reviews insurance coverage and adjusts the limits of liability for property and liability insurance as values and or risk exposures change.

I suggest that management immediately direct the present insurance agent to fully review the present insurance coverage, including obtaining updated replacement cost estimates on structures, to avoid any future issues in filing claims with the insurance company.

Management's Response – We engaged our insurance agent as the expert in the proper coverage to be carried relative to all risks to which the District is exposed. Further, the insurance company itself had individuals on-site two weeks prior to the date of the loss to which you refer. Based on this, we felt that the District was adequately covered for the risks to which it is exposed. We will contact our agent and direct it to review all aspects of our coverage and adjust it as deemed necessary.

In planning and performing my audit of the financial statements of Caddo Parish Fire District No. 1 as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, I considered the District's control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

Board of Commissioners
June 28, 2011
Page two

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined below.

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 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. 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.

I have discussed the preceding recommendations with Chief Dan Cotten and anticipate that these issues will be resolved appropriately by the Chief and the board of commissioners. However, I am also available to any and all board members should they wish to discuss these issues further. This communication is intended solely for the information and use of management, the board of commissioners, the outside accountants and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

* * *

As usual, I appreciate the outstanding cooperation from your staff that my personnel received during the audit of the District's financial statements.

Very truly yours,



James K. McClelland, CPA

cc: Legislative Auditor of the State of Louisiana