

Sabine Parish Communication District
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004

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 2-16-05



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Eugene W. Fremaux II

Certified Public Accountant

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sabine Parish Communications
District
Many, Louisiana

I have audited the accompanying basic financial statements of the Sabine Parish Communications District, a component unit of the Sabine Parish Police Jury, State of Louisiana, as of June 30, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Sabine Parish Communications 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 for financial and compliance 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Sabine Parish Communications District, as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 3, and page 15, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 21, 2004 on my consideration of Sabine Parish Communications District's internal control over financial reporting and my tests on its compliance with certain provision 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 my audit.



EUGENE W. FREMAUX II, CPA
December 21, 2004

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net assets increased \$44,141 during the year. \$41,318 of the increase is in cash, which is being accumulated in anticipation of capital asset expenditures required in the future for implementation of Phase Two of E911 wireless services.
- ▶ Net assets increased because of excess revenues over operating expenses.
- ▶ Expenses for the year amounted to \$152,711, an increase of approximately \$15,000.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

- ▶ Management's discussion and analysis
- ▶ Basic financial statements
- ▶ Supplementary information

The basic financial statements include two kinds of statements that present different views of the District:

- ▶ The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- ▶ The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The District has only one fund, the general fund

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased \$44,141 during the year. The majority of the increase, \$41,318, is in cash, which is being accumulated in anticipation of capital asset expenditures required in the future for implementation of Phase Two of E911 wireless services.

Revenues increased by \$7,050 to \$196,852, primarily due to growth in wireless fees. Expenses increased by approximately \$15,000 due to increases in equipment repairs, and personnel expenses.

FINANCIAL ANALYSIS OF THE FUNDS

The District's governmental fund balance increased by \$41,161 during the year. Revenues increased by \$7,050 to \$196,852, primarily due to growth in wireless fees. Expenses increased by \$27,682 due to increases in equipment repairs, equipment purchases, and personnel expenses. Actual expenses exceeded budgeted expenses by nine percent, primarily due to \$12,507 of capital outlay expenses for costs associated with the implementation of Phase One of the E911 wireless services.

CAPITAL ASSETS

During 2004 the District invested \$12,507 in equipment and improvements for Phase One implementation of wireless E911 services.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is dependent on E911 fees from telephone customers and \$10 permit fees to obtain electric service for approximately 98 percent of its revenues. The District does not expect any significant growth in these revenues for next year. The budget for operating expenses for next year is up approximately 22 percent due primarily from the additional leased equipment costs in providing Phase One implementation of wireless E911 services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. P. M. Woods, Chairman, P O Box 550, Many, LA 71449.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
STATEMENT OF NET ASSETS

JUNE 30, 2004

ASSETS

Cash and cash equivalents	\$167,017
Receivables	14,760
Prepays	945
Capital assets, net of accumulated depreciation	<u>22,090</u>
TOTAL ASSETS	<u>204,812</u>

LIABILITIES

Accounts payable	<u>6,888</u>
TOTAL LIABILITIES	<u>6,888</u>

NET ASSETS

Invested in capital assets	22,090
Unrestricted	<u>175,834</u>
TOTAL NET ASSETS	<u>\$197,924</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and changes in Net assets Governmental Unit
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$152,711	\$194,348	\$41,637
Total governmental activities	152,711	194,348	41,637
General revenues:			
Interest			876
Miscellaneous			1,628
Total general revenues			2,504
Change in net assets			44,141
Net assets, beginning of year			153,783
Net assets, end of year			\$197,924

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	\$121,274
Certificate of deposit	45,743
Accounts receivable	14,680
Interest receivable	80
Prepaid insurance	<u>945</u>
Total assets	<u>\$182,722</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$6,888</u>
Total liabilities	<u>6,888</u>
Fund balance - unreserved	<u>175,834</u>
Total liabilities and fund balance	<u>\$182,722</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Total fund balances - Governmental Funds		\$175,834
Cost of capital assets at June 30, 2004	101,159	
Less accumulated depreciation at June 30, 2004	<u>(79,069)</u>	<u>22,090</u>
Total net assets at June 30, 2004 - Governmental Activities		<u>\$197,924</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
GENERAL FUND
Year ended June 30, 2004

Revenues:		
911 user fees:		
Land lines		\$110,490
Wireless		65,228
Permit fees		18,630
Miscellaneous income		1,628
Interest income		876
		<hr/>
Total revenues		196,852
Expenditures:		
General government:		
Personnel costs		86,610
Telephone equipment rental and service		42,229
Insurance		1,197
Postage		210
Automobile expense		1,549
Telephone		879
Collection fees		1,756
Supplies		5,905
Other costs		2,849
		<hr/>
Total general government		143,184
Capital outlay		<hr/> 12,507
Total expenditures		<hr/> 155,691
Excess (deficiency) of revenues over expenditures		41,161
Fund balance, beginning of year		<hr/> 134,673
Fund balance, end of year		<hr/> <hr/> \$175,834

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2004

Excess of revenues over expenditures		\$41,161
Capital assets:		
Capital outlay capitalized	12,507	
Depreciation expense for year ended June 30, 2004	<u>(9,527)</u>	<u>2,980</u>
Change in net assets - Governmental Activities		<u>\$44,141</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of significant accounting policies

The Sabine Parish Communications District, Many, Louisiana, was created on June 19, 1991 by an ordinance of the Sabine Parish Police Jury to provide an Enhanced Emergency 911 Service for Sabine Parish. The District is a political subdivision of the Sabine Parish Police Jury, whose jurors are elected officials. The District's Board members are appointed by the Sabine Parish Police Jury. *The accounting and reporting practices of the Sabine Parish Communications District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.* The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The following is a summary of the District's significant policies:

A. Reporting Entity

This report includes all funds which are controlled by or dependent on the Board of Commissioners of the Sabine Parish Communications District. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. Based on this criteria, there is no other governmental body that should be included in these statements. The accompanying financial statements consist only of the funds of the Sabine Parish Communications District and do not present information on the Sabine Parish Police Jury. The District is considered to be a component unit of the Sabine Parish Policy Jury.

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are grouped in this report into one generic fund type and one broad fund category as follows:

Governmental Fund Type:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources of the District.

C. Basis of Accounting

Government wide financial statements

The government wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Program revenues included in the Statement of Activities derive directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the District's general revenues.

Fund financial statements

The general fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become available as net current assets. Tariff fees, intergovernmental revenues, and interest are accrued when their receipt occurs soon enough after the end of the accounting period to be both measurable and available.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of significant account policies (continued)

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

D. Budget Practices

The District prepares and adopts an annual budget, the dollar amounts being allocated to the various expenditure categories based upon the total amount of anticipated revenues. All expenditures in excess of budgeted amounts were approved by the District's Board, even though never formally incorporated in the budget by amendment. Budget appropriations lapse at the end of each year.

E. Capital Assets

All capital assets are capitalized at historical cost. The District maintains a threshold level of \$1,500 or more for capitalizing capital assets. Capital assets are recorded in the basic financial statements, but are not reported in the fund financial statements. All capital assets are depreciated using the straight-line method over their estimated useful lives, which vary from 5 to 15 years.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Pending litigation

The Sabine Parish Communications District is not involved in any litigation at June 30, 2004.

(3) 911 user fees

The District is authorized to levy and collect a fee based on telephone tariffs in Sabine Parish to provide funding. The District has entered into agreements with various telephone companies to collect a 5% fee beginning January 1, 1992. The telephone companies charge the District a 1% fee for this collection service.

Act 1029 of 1999 authorizes the District to levy an emergency telephone service charge on certain wireless communication systems to pay the costs of implementing FCC ordered enhancements to E911 systems. Beginning July 1, 2002 the District has levied a 85 cents per month fee on wireless customers to fund future implementation of wireless E911 service. \$65,228 of wireless fees were collected in the year ended June 20, 2004. As of June 30, 2004 costs of \$12,507 have been incurred in implementation of Phase One wireless E911 service. Implementation plans for Phase Two are presently on hold until the cost of implementing this service decreases and/or adequate funds are available to implement this service.

Beginning June 1, 1999, the District began to collect a \$10 permit fee for all 911 permits issued.

(4) Personnel costs

The District's employees are paid by the Sabine Parish Sheriff and the Sheriff is reimbursed by the District for the related payroll costs, including payroll taxes and medical insurance.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(5) Facility costs

The District's office is located in the Sabine Parish Courthouse in Many, Louisiana. Expenditures for operation and maintenance of the parish courthouse, as required by Louisiana law, are paid by the Sabine Parish Police Jury.

(6) Operations

The District's 911 service became operational in October 1995.

The District operates as a political subdivision created by the Sabine Parish Police Jury, therefore it is exempt from income tax and is not required to file an annual information return.

(7) Accounts receivable

Accounts receivable at June 30, 2004, consisted of fees due from telephone companies for June 2004 in the amount of \$14,680, and interest receivable of \$80.

(8) Leases

On August 26, 1994 the District entered into a lease agreement with BellSouth Business Systems for \$1,530 per month for equipment and services needed to provide 911 service. The lease term was for one year, with annual renewal options. Additional agreements with BellSouth have been entered into for database maintenance and trunk lines which bring the total monthly commitment to \$3,515. In August of 2004, the District entered into a new five year lease agreement with BellSouth, which increases the monthly payment to \$4,470.

(9) Cash

All bank deposits and certificates of deposit are fully secured through federal depository insurance.

(10) Changes in capital assets

Capital assets and related depreciation activity for the year ended June 30, 2004 are as follows:

	Equipment	Building Improvements	Total
Cost of capital assets, beginning of year	\$ 71,571	\$ 17,571	\$ 88,652
Additions	<u>6,273</u>	<u>6,234</u>	<u>12,507</u>
Cost of capital assets, end of year	<u>77,354</u>	<u>23,805</u>	<u>101,159</u>
Accumulated depreciation, beginning of year	59,585	9,957	69,542
Additions	<u>1,241</u>	<u>8,286</u>	<u>9,527</u>
Accumulated depreciation, end of year	<u>60,826</u>	<u>18,243</u>	<u>79,069</u>
Capital assets, net of accumulated depreciation, end of year	<u>\$101,159</u>	<u>\$ 79,069</u>	<u>\$ 22,090</u>

(11) Compensation of commissioners

The commissioners received no compensation or per diem during the year ended June 30, 2004.

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(12) Changes in accounting principles

As of July 1, 2003 the District implemented GASB Statement No. 34, which creates new basic financial statement for reporting on the District's financial activities. The financial statements now include basic governmental financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which had been the method of presentation in previously issued financial statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at July 1, 2003 to be restated in terms of Net Assets as follows:

Governmental Funds' Fund Balance, July 1, 2003		\$134,673
Add Capital Assets as of July 1, 2003		
Cost	\$88,652	
Accumulated depreciation	<u>(69,542)</u>	<u>19,110</u>
Net Assets as of July 1, 2003, as restated		<u>\$153,783</u>

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

SABINE PARISH COMMUNICATIONS DISTRICT
MANY, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2004

	Original Budget	Final Budget	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
911 user fees:				
Land lines	\$108,142	\$108,142	\$110,490	\$2,348
Wireless	54,000	54,000	65,228	11,228
Permit fees	22,975	22,975	18,630	(4,345)
Miscellaneous income	2,620	2,620	1,628	(992)
Interest income	<u>1,070</u>	<u>1,070</u>	<u>876</u>	<u>(194)</u>
 Total revenues	 <u>188,807</u>	 <u>188,807</u>	 <u>196,852</u>	 <u>8,045</u>
 Expenditures:				
General government:				
Personnel costs	82,700	82,700	86,610	(3,910)
Telephone equipment rental and service	50,200	50,200	42,229	7,971
Insurance	1,284	1,284	1,197	87
Postage	136	136	210	(74)
Automobile expense	1,024	1,024	1,549	(525)
Telephone	817	817	879	(62)
Collection fees	0	0	1,756	(1,756)
Supplies	3,331	3,331	5,905	(2,574)
Other costs	<u>1,782</u>	<u>1,782</u>	<u>2,849</u>	<u>(1,067)</u>
 Total general government	 <u>141,274</u>	 <u>141,274</u>	 <u>143,184</u>	 <u>(1,910)</u>
 Capital outlay	 <u>0</u>	 <u>0</u>	 <u>12,507</u>	 <u>(12,507)</u>
 Total expenditures	 <u>141,274</u>	 <u>141,274</u>	 <u>155,691</u>	 <u>(14,417)</u>
 Excess (deficiency) of revenues over expenditures	 47,533	 47,533	 41,161	 (6,372)
 Fund balance, beginning of year	 <u>134,673</u>	 <u>134,673</u>	 <u>134,673</u>	 <u>0</u>
 Fund balance, end of year	 <u>\$182,206</u>	 <u>\$182,206</u>	 <u>\$175,834</u>	 <u>(\$6,372)</u>

The accompanying notes are an integral part of these statements.

SABINE PARISH COMMUNICATIONS DISTRICT
SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

CURRENT YEAR FINDINGS

Finding number 2004-01

The District's actual expenditures exceeded the budgeted expenditures by nine percent, which is greater than the five percent variance allowed by Louisiana law. The variance was due primarily to capital outlay expenditures relating to earlier implementation of Phase One of the E911 wireless services than was originally planned.

Recommendation

Management must monitor the operations of the District more closely during the phasing in of E911 wireless services in order that budgets can be properly amended when needed.

Management's response

Management concurs with the above recommendation.

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

The Board of Directors
Sabine Parish Communications
District
Many, Louisiana

I have audited the basic financial statements of the Sabine Parish Communications District, Louisiana, a component unit of the Sabine Parish Police Jury, Louisiana, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 21, 2004. I conducted my audit in accordance with generally accepted auditing standards 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 Sabine Parish Communications District, Louisiana's basic 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 provision was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed oneinstance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-01.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sabine Parish Communications District, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management, Louisiana Legislative Auditor, and the Board. However, this report is a matter of public record and its distribution is not limited.



EUGENE W. FREMAUX II, CPA
December 21, 2004