

**Fire Protection Sub - District No. 1 of
West Baton Rouge Parish
Addis, Louisiana**

Annual Financial Report

As of and for the year Ended December 31, 2010

Table of Contents

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1 - 2
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Management's Discussion and Analysis (Unaudited)	3 - 7
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Combined Balance Sheet – Governmental Funds	10
Reconciliation of Balance Sheet to Statement of Net Assets	11
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities	13
Notes to the Financial Statements	14 - 24
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
Budgetary Comparison Schedules – General Fund	25 - 26
INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27 – 28
Schedule of Current Findings and Responses	29
Schedule of Prior Year Findings and Responses	30

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INDEPENDENT AUDITOR'S REPORT

To Mr. Carroll P. Bourgeois, Executive in Charge
and Members of the Board of Commissioners
Fire Protection Sub - District No. 1 of West Baton Rouge Parish

I have audited the accompanying financial statements of the governmental activities and each major fund of the Fire Protection Sub - District No. 1 of West Baton Rouge Parish, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Protection Sub - District No.1 of West Baton Rouge's management. My responsibility is to express an opinion on these basic financial statements based on my audit. The prior year summarized comparative information has been derived from the District's 2009 financial statements and, in my report dated July 6, 2010, I expressed an unqualified opinion on the respective financial statements of the governmental activities and each major fund.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities and each major fund of the Fire Protection Sub - District No. 1 of West Baton Rouge Parish as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2011 on my consideration of Fire Protection Sub - District No. 1 of West Baton Rouge Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 25 through 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

W. Kathleen Beard, CPA

June 29, 2011

Required Supplementary Information (Unaudited)

**FIRE PROTECTION SUB-DISTRICT No. 1
OF WEST BATON ROUGE PARISH
ADDIS, LOUISIANA**

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2010

We offer the readers of the financial statements of the Fire Protection Sub-district No. 1 of West Baton Rouge Parish this narrative overview and analysis of the financial activities of the Fire Protection Sub-district No. 1 of West Baton Rouge Parish in Addis, Louisiana (hereafter referred to as the "District") for the fiscal year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010 fiscal year include the following:

- The District's net assets decreased by \$44,243.
- General revenues of the District were \$212,153.
- The total expenditures/expenses of the District were \$256,396.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and are reported in two government-wide financial statements:

The **Statement of Net Assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **Statement of Activities** presents information showing how the District's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

The District's government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District's sole operation of fire protection is classified as a governmental activity.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the District are governmental type funds.

Governmental Funds: These funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. The focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, a comparison should be made between the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will present a better understanding of the long-term impact of the government's near-term financing decisions.

The District maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund.

The District adopts an annual appropriated budget. A budgetary comparison schedule has been provided for the District's operations to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes included in this report provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceed its liabilities by \$986,625 at the close of the 2010 year.

A condensed version of the District's net assets is presented as follows:

	2010	2009
Current assets	\$ 512,450	\$ 504,274
Capital assets	502,059	564,361
Total assets	<u>1,014,509</u>	<u>1,068,635</u>
Current liabilities	16,502	15,498
Noncurrent liabilities	11,382	22,268
Total liabilities	<u>27,884</u>	<u>37,766</u>
Invested in capital assets, net of related debt	479,791	531,680
Unrestricted	506,833	499,189
Total net assets	<u>\$ 986,625</u>	<u>\$ 1,030,868</u>

Most of the funding for the District's operation and maintenance is provided by sales taxes. The District's general revenues decreased by 18.4% in 2010, primarily due to a decrease in sales tax revenue of \$50,085. Total expenses increased by 15.2% or \$33,937 in 2010, primarily due to an increase in personnel expenses and operating expenses.

A condensed version of the District's statement of activities is presented as follows:

	2010	2009
Revenues		
Program revenues:		
Capital grants and contributions	\$ -	\$ 52,974
General revenues:		
Public safety sales and use tax	197,927	248,012
Other general revenues	14,226	12,008
Total revenues	<u>212,153</u>	<u>312,994</u>
Program Expenses		
Public safety	255,358	220,949
Interest on long-term debt	1,038	1,510
Total expenses	<u>256,396</u>	<u>222,459</u>
Excess (deficiency) before special items and transfers	(44,243)	90,535
Increase (decrease) in net assets	(44,243)	90,535
Net assets, beginning of year	<u>1,030,868</u>	<u>940,333</u>
Net assets, end of year	<u>\$ 986,625</u>	<u>\$ 1,030,868</u>

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As a measure of the District's liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 248% of total fund expenditures.

The fund balance of the District increased by \$7,646 during the current year primarily due to a decrease in capital outlay expenditures.

BUDGETARY HIGHLIGHTS

The budget for the general fund was amended once during the year, in order to more accurately show the expected final figures. The District received \$5,917 less than the revised budgeted revenues, with the majority of this deficiency generated by an unfavorable variance in sales taxes of \$6,693. Total expenditures were \$46,362 less than the final amended budget.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2010, amounts to \$479,791 (net of accumulated depreciation of \$567,980 and related debt of \$22,268). This investment in capital assets includes land, buildings, line and hydrants, firefighting equipment, vehicles, and office furniture and equipment. The total decrease in the District's investment in capital assets for 2010 was \$51,889 (9.7%).

DISTRICT'S CAPITAL ASSETS (net of accumulated depreciation)

	2010	2009
Land	\$ 92,000	\$ 92,000
Buildings	204,802	212,067
Line & Hydrants	5,910	6,239
Firefighting Equipment	64,071	97,177
Vehicles	132,272	152,878
Office furniture & Equipment	3,004	4,000
	<u>\$ 502,059</u>	<u>\$ 564,361</u>

DEBT

The financial statements reflect the current payment due on a capital lease for repayment of a debt on a fire truck. An additional \$11,382 is still outstanding as a long term liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management considered the following factors when setting the budget for the year ending December 31, 2010:

- The District does not expect any grant income in 2011.
- The capital outlay budget includes \$12,000 for equipment purchases in 2011. The district is also considering the purchase of an aerial truck which would be acquired through a lease purchase agreement.
- Revenues for the year 2011 are expected to be approximately \$18,500 more than 2010, pending the status of the economy as it relates to sales taxes.
- The population of West Baton Rouge Parish has grown rapidly in the past years. All tax revenues (sales taxes/millages) in the Parish are reviewed and adjusted on a routine basis - the growth of the Parish is reflected by the increases in tax dollars and the resources are directed where the evaluation dictates. The Sales Tax distribution for the Fire Sub-districts remains fixed at the initial adoption and had never been reevaluated. The needs and growth of the Fire Sub-districts vary, as the population demographics change. The West Baton Rouge Parish Council should recalculate the distribution of the sales tax revenues for the Fire Sub-districts on a routine basis (as with all other taxes/millages) and distribute the resources accordingly.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Henry Melancon, Fire Chief, Fire Sub-District #1 of West Baton Rouge Parish, Addis, LA 70710.

Basic Financial Statements

Fire Sub-District No. 1 of West Baton Rouge Parish
Statement of Net Assets
December 31, 2010 with summarized comparative totals for 2009

Primary Government
Governmental Activities

ASSETS:	2010	2009
Cash and cash equivalents	\$ 496,374	\$ 425,753
Investments	-	58,444
Accounts receivable (net)	14,949	19,182
Due from other governments	1,126	896
Total Current Assets	<u>512,450</u>	<u>504,274</u>
Capital assets:		
Non-depreicable:	92,000	92,000
Depreciable (net)	410,059	472,361
Total Capital Assets (net)	<u>502,059</u>	<u>564,361</u>
Total assets	1,014,509	1,068,635
LIABILITIES:		
Accounts payable	4,659	3,681
Accrued interest payable	957	1,404
Non-current liabilities:		
Due in one year -		
Capital lease payable	10,887	10,413
	<u>16,502</u>	<u>15,498</u>
Due in more than one year -		
Capital lease payable	11,382	22,268
	<u>11,382</u>	<u>22,268</u>
Total liabilities	27,884	37,766
NET ASSETS:		
Invested in capital assets, net of related debt	479,791	531,680
Unrestricted	506,833	499,189
Total net assets	<u>\$ 986,625</u>	<u>\$ 1,030,868</u>

The accompanying notes to the financial statements are an integral part of this statement

Fire Sub-District No. 1 of West Baton Rouge Parish
Statement of Activities

For the Year Ended December 31, 2010 with summarized comparative totals for 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental Activities</u>	<u>Total</u>	<u>2009 Total</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>			
Primary government						
Governmental activities -						
Public safety	\$ 255,358	\$ -	\$ -	\$ (255,358)	\$ (255,358)	\$ (167,975)
Interest on long-term debt	1,038	0	0	(1,038)	(1,038)	(1,510)
	256,396	0	0	(256,396)	(256,396)	(169,485)
Total governmental activities						
General revenues						
Public safety sales and use tax				197,927	197,927	248,012
Fire insurance rebate				8,322	8,322	8,321
Forestry grant				0	0	0
Miscellaneous income				1,401	1,401	2,590
Investment income				4,503	4,503	1,097
				212,153	212,153	260,020
Total general revenues and transfers						
Extraordinary item - Insurance recovery for Hurricane Gustav (net of expenses)				0	0	0
				(44,243)	(44,243)	90,535
Change in net assets						
Net assets, January 1,				1,030,868	1,030,868	940,333
Net assets, December 31,				\$ 986,625	\$ 986,625	\$ 1,030,868

The accompanying notes to the financial statements are an integral part of this statement.

Fire Sub-District No. 1 of West Baton Rouge
Balance Sheet
Governmental Funds - General Fund
December 31, 2010 with summarized comparative totals for 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 496,374	\$ 425,753
Investments	0	58,444
Receivables -		
Intergovernmental - sales tax	14,949	18,482
Accrued interest receivable	0	700
Due from other funds	0	0
Due from Town of Addis	1,126	896
	<u>\$512,449</u>	<u>\$504,274</u>
LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities	\$ 4,659	\$ 3,681
Due to other funds	0	0
Accrued interest payable	957	1,404
	<u>5,615</u>	<u>5,086</u>
Total Liabilities	5,615	5,086
Fund Balances -		
Unreserved	506,834	499,188
	<u>506,834</u>	<u>499,188</u>
Total Fund Balances	506,834	499,188
	<u>\$ 512,449</u>	<u>\$ 504,274</u>
Total Liabilities and Fund Balances	\$ 512,449	\$ 504,274

The accompanying notes to the financial statements are an integral part of this statement.

Fire Sub-District No. 1 of West Baton Rouge Parish
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
December 31, 2010 with summarized comparative totals for 2009

	<u>2010</u>	<u>2009</u>
Fund Balances - total governmental funds	\$ 506,834	\$ 499,188
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in governmental funds		
Governmental capital assets	1,070,039	1,060,739
Less: accumulated depreciation	<u>(567,980)</u>	<u>(496,377)</u>
	502,059	564,362
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	<u>(22,268)</u>	<u>(32,682)</u>
Net Assets of Governmental Funds	<u>\$ 986,625</u>	<u>\$ 1,030,868</u>

The accompanying notes to the financial statements are an integral part of this statement.

Fire Sub-District No. 1 of West Baton Rouge Parish
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds - General Fund
Year ended December 31, 2010 with summarized comparative totals for 2009

	2010	2009
REVENUES:		
Intergovernmental -		
Sales tax	\$ 197,927	\$ 248,012
Fire insurance rebate	8,322	8,321
Forestry grant	0	0
Homeland Security FEMA Grant	0	52,974
Miscellaneous	1,401	2,590
Investment income	4,503	1,097
Total revenues	212,153	312,995
EXPENDITURES:		
Current		
Public safety	183,756	150,176
Capital outlay	9,300	76,207
Debt service -		
Principal	10,413	9,961
Interest	1,038	1,510
Total Debt Service	11,451	11,471
Total expenditures	204,508	237,854
Excess Revenues Over (Under) Expenditures	7,646	75,141
OTHER FINANCING SOURCES (USES):		
Transfers in	0	0
Transfers (out)	0	0
Total Other Financing Sources (Uses)	0	0
Extraordinary item - Hurricane recovery	0	0
Net Change in Fund Balances	7,646	75,141
FUND BALANCE:		
Beginning of Year	499,188	424,047
End of Year	\$ 506,834	\$ 499,188

The accompanying notes to the financial statements are an integral part of this statement.

Fire Sub-District No. 1 of West Baton Rouge Parish
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
December 31, 2010 with summarized comparative totals for 2009

	2010		2009
Net Change in Fund Balances - total governmental funds	\$ 7,646	\$	75,141
Amounts reported for governmental activities in Statement of Net Assets are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:			
Expenditures for capital assets	9,300		76,207
Less current year depreciation	(71,602)		(70,773)
	(62,302)		5,434
Book value of capital assets donated to other fire departments reported in the Statement of Activities as Special Item	0		0
Governmental funds report proceeds of financing by Capital Lease as other financing sources. However, in the Statement of Activities, the principal amount of the Capital Lease is reported as a liability	0		0
Payment of annual lease payment is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	10,413		9,961
Payment of certificates of indebtedness is an expenditures in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	0		0
	0		0
Change in Net Assets of Governmental Funds	\$ (44,243)	\$	90,536

The accompanying notes to the financial statements are an integral part of this statement.

Fire Protection Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

Introduction

The Fire Protection Sub - District No. 1 of West Baton Rouge Parish was established by the parish governing authority, under the provisions of Louisiana Revised Statute 40:1503. The "Sub - District" was created to do and perform all acts necessary and proper for the purpose of providing fire protection service within the Addis sub - district. Louisiana Revised Statute 40:1503, provides that if a municipality is included within a sub-district, the governing body of the municipality shall be the governing body of the Sub - District. The members of the governing body serve without pay, including per diem. The Sub - District has one full - time and eight part - time employees, all other firemen are volunteers.

The Sub-District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Sub - District are discussed below.

1. Summary of Significant Accounting Policies

A. Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, no component units were identified for inclusion in the accompanying financial statements.

B. Related Organizations: The following organizations were considered for inclusion in the reporting entity but did not meet all of the requirements. Therefore, these entities were considered to be related organizations not reported in the accompanying basic financial statements.

Addis Volunteer Fire Department – This potential component unit provides volunteer fire services within the city limits. Although the Town does provide facilities and some financing, it does not exercise direct control over their operations.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements – Government–Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Sub – District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Sub – District reports the following governmental funds:

The General Fund is the Sub – District’s primary operating fund. It accounts for all financial resources of the Sub – District, except those required to be accounted for in another fund.

E. Deposits and Investments

The Sub – District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Sub - District’s investment policy allow the Sub - District to invest in collateralized certificates of deposit, government backed securities, state sponsored investment pool, and mutual funds consisting solely of government backed securities.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/funds other funds” for the current portion of interfund loans. All outstanding balances between funds are reported as “due to/from other funds”.

G. Inventories and Prepaid Items

All inventories are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

H. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets (e.g. mains, hydrants, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized 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. The Sub - District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current fiscal year no interest was incurred in the capitalized projects.

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

Furniture and office equipment	5 years
Firefighting equipment	10 years
Vehicles	5 – 15 years
Buildings	40 years
Lines and hydrants	25 years

I. Compensated Absences

The Sub – District has not yet established a policy relating to vacation and sick leave for it's full time employee.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

1. Summary of Significant Accounting Policies (Continued)

K. Fund Equity

In the government-wide financial statements net assets are divided into three components:

- Invested in capital assets, net of related debt-consist of the historical cost of capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets-consist of net assets that are restricted by the District's creditors, (through debt covenants) by state enabling legislation, (through restrictions on shared revenue), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net assets are reported in this category.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or expenditure, or, are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Comparative Information

The financial statements include prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

2. Stewardship, Compliance and Accountability

The Sub - District follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A proposed budget is prepared and submitted to the Executive in Charge and Board of Commissioners prior to the beginning of each fiscal year. The proposed budget is published in the official journal and made available for public inspection. A public hearing is called to obtain taxpayer comments.
2. The budget is adopted through passage of an ordinance prior to commencement of the fiscal year for which the budget is being adopted.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require approval from the Board of Commissioners.
4. Budgets for the General is adopted on a GAAP basis therefore these funds utilize the same basis of accounting for both budgetary purposes and actual results. The Budgetary Comparison Schedule presents a comparison of budgetary data and actual results of operations for which budgets are legally adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. The level of budgetary control is total appropriations.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

2. Deposits and Investments

Deposits (Cash) – The Sub - District's deposits are stated at cost, which approximates market. Under state law, these deposits (or 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial account that is mutually acceptable to both parties.

Custodial Credit Risk: At December 31, 2010, the carrying amount (book balance) of the Sub - District's deposits (cash) was \$496,374 and the bank balance was \$499,383. Of the bank balance, \$323,145 was covered by federal depository insurance, and deposit collateral consisting of pledged securities having a market value of \$175,000, held in the by the pledging financial institution's trust department or agent but not in the District's name (GASB Category 3). The remaining balance of \$1,238 was uninsured.

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

Investments -

Under state law, the District may invest in United States Bonds, treasury notes or certificates and certificates of deposit. These are classified as investments if their original maturities exceed 90 days. At year end the Sub - District held no investments.

Interest Rate Risk: The District has no formal policy regarding interest rate risk.

Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

4. Capital Assets

Capital assets and depreciation activity as and for the year ended December 31, 2010 is as follows:

	Balance <u>12/31/2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/2010</u>
Governmental Activities				
Non-depreciable: Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Construction in progress	-	-	-	-
Total Non-depreciable	92,000	-	-	92,000
Depreciable:				
Buildings	290,575	-	-	290,575
Lines & Hydrants	8,209	-	-	8,209
Firefighting equipment	311,279	9,300	-	320,579
Vehicles	339,550	-	-	339,550
Office furniture & equipment	19,125	-	-	19,125
Total Depreciable	968,739	9,300	-	978,039
Total Capital Assets	1,060,739	9,300	-	1,070,039
Less: Accumulated depreciation				
Buildings	78,509	7,264	-	85,774
Lines & Hydrants	1,970	328	-	2,299
Firefighting equipment	214,102	42,407	-	256,508
Vehicles	186,672	20,606	-	207,278
Office furniture & equipment	15,125	996	-	16,121
Total Accumulated Depreciation	496,378	71,602	-	567,980
Total Depreciable, net	472,361			410,059
Capital Assets, net	<u>\$ 564,361</u>			<u>\$ 502,059</u>

Depreciation expense charged to functions of the primary government as follows:

Public safety - fire	<u>\$ 71,602</u>
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Fire Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

5. Long-Term Debt

On January 19, 2005 the Sub-District entered into an agreement with Hibernia National Bank for the lease purchase of a fire truck. The amount financed was \$70,000 at a rate of 4.5454% interest for a term of 6 years. Annual payments are due January 20th. The following is a summary of long-term liability activity during the year:

Balance at January 1, 2010	\$ 32,682
Additions	0
Deductions	<u>(10,413)</u>
Balance at December 31, 2010	<u>\$ 22,268</u>

Minimum lease payments to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	10,887	1,012	11,899
2012	11,382	517	11,899
	<u>\$ 22,268</u>	<u>\$ 1,530</u>	<u>\$ 23,798</u>

6. Firefighters' Retirement System of Louisiana

Plan Description: Membership in the Louisiana Firefighters' Retirement System is mandatory to all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 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) and receive the benefit accrued their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 625-4060.

Fire Protection Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

6. Firefighters' Retirement System of Louisiana (Continued)

Funding Policy: Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Sub-District is required to contribute at an actuarially determined rate. The current rate is 14% (January - June) and 21.5% (July - December) of annual covered payroll. The contribution requirements of plan members and the Sub-District's are established and may amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Sub-District's contributions to the System for the years ending December 31, 2010, 2009, and 2008 were \$11,499, \$9,152, and \$8,741, respectively, equal to the required contributions for each year.

7. Economic Dependence

Sales tax revenues are collected by the West Baton Rouge Parish Sales Tax Department for the West Baton Rouge Fire Protection District No. 1 (the District). The Fire Sub - District No. 1 of West Baton Rouge Parish participates with other sub - districts in the District sales tax revenue, receiving 9.2% of the District's distributable portion. Sales tax revenues comprise 93% of total revenue received by the Sub - District in 2010

8. Risk Management

The Sub-District purchases commercial insurance to protect against risk of loss in these areas: workers' compensation liability, general liability, law enforcement liability, public officials' errors and omissions, automobile liability and physical damage coverage and property fire coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

9. Agreement with the Town of Addis

The Fire Sub - District entered into a local services agreement with the Town of Addis in January 1992 to provide fire protection within the Town. Under the terms of the agreement, the Town has agreed to do the following:

1. Lease all vehicles, equipment, and supplies belonging to the Town and for the use of the Addis Volunteer Fire Department to the Sub - District, provided that the Sub - District shall bear the cost of insurance coverage on all vehicles, equipment and supplies, said coverage to be approved by the Town with certificates of such insurance to be presented.
2. Permit the Sub - District to use the Town's existing fire stations and Old Town Hall during the term of the agreement, provided that the Sub - District shall provide insurance coverage thereon at least equal to the amount which the Town has in force on the date of the agreement and further provided that the Town is listed as an additional insured on the policy. However, insurance costs as to Station #2 shall be fifty (50%) percent to Town and Fifty (50%) percent to Sub District.

Fire Protection Sub - District No. 1 of West Baton Rouge Parish
Notes to the Financial Statements
As of and for the year ended December 31, 2010

10. Subsequent Events

Subsequent events were evaluated through June 29, 2011, which is the date the financial statements were available to be issued. It was determined that there are no significant events requiring recognition or disclosure through this date.

Required Supplementary Information (Unaudited)

Fire Sub-District No. 1 of West Baton Rouge Parish
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2010 with summarized comparative totals for 2009

	<u>Budgeted Amounts</u>		Actual	Variance with	2009
	<u>Original</u>	<u>Final</u>	Budgetary	Final Budget	Actual
			Basis	Over (Under)	Amounts
REVENUES					
Sales tax	\$ 220,420	\$ 204,620	\$ 197,927	\$ (6,693)	\$ 248,012
Fire insurance rebate	9,450	9,450	8,322	(1,128)	8,321
Forestry Grant	-	-	0	0	0
Miscellaneous	-	1,500	1,401	(99)	2,590
Hurricane Gustav Insurance recovery	-	-	0	0	0
Homeland Security FEMA Grant	-	-	0	0	52,974
Investment income	1,000	2,500	4,503	2,003	1,097
Total revenues	230,870	218,070	212,153	(5,917)	312,995
EXPENDITURES					
Public safety - Fire Protection Services					
Salaries	81,120	81,120	73,303	7,817	55,855
Medicare	1,200	1,200	1,150	50	890
Social security	5,000	5,000	1,742	3,258	768
Unemployment	200	200	95	105	137
Health insurance	5,200	5,200	5,240	(40)	4,991
Retirement expense	5,500	5,500	7,927	(2,427)	5,664
Utilities - Station #1	1,700	1,700	948	752	786
Utilities - Station #2	1,700	1,700	1,583	117	1,195
Utilities - Station #3	6,500	6,500	7,743	(1,243)	4,570
Telephone	2,000	2,000	1,477	523	1,579
Computer cable	500	500	552	(52)	528
Expense allowance	3,000	10,500	8,321	2,179	0
Gas and oil	4,000	4,000	3,845	156	2,600
Office supplies	1,000	1,000	223	777	1,593
Postage	200	200	76	124	76
Printing	100	100	231	(131)	251
Repairs to equipment	10,000	10,000	11,956	(1,956)	15,045
Repairs to buildings	5,000	5,000	647	4,353	8,448
Dues and subscriptions	1,000	1,000	539	461	545
Tools and supplies	7,000	9,000	12,359	(3,359)	4,711
Miscellaneous	3,500	5,000	5,197	(197)	5,359
Insurance and bonds	25,000	25,000	24,528	472	22,624
Uniforms	4,000	4,000	3,001	999	975
Training	3,000	3,000	0	3,000	675
Computer upgrade	500	500	0	500	0
First aid supplies	1,500	1,500	1,493	8	2,237
Legal services	5,000	5,000	1,887	3,119	2,188
Accounting services	4,000	5,000	5,000	0	4,000
Official journal	1,000	2,000	1,582	418	1,218
Jackson uniform	100	100	0	100	0
Computer maintenance	3,000	3,000	325	2,675	0
Equipment maintenance	6,100	6,100	790	5,310	670
Radio repairs	250	250	0	250	0
Capital outlay - Equipment purchases	15,000	15,000	9,300	5,700	23,233

Fire Sub-District No. 1 of West Baton Rouge Parish
 Budgetary Comparison Schedule
 General Fund

For the Year Ended December 31, 2010 with summarized comparative totals for 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>2009</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>	<u>Actual</u>
			<u>Basis</u>	<u>Over (Under)</u>	<u>Amounts</u>
Capital outlay - Homeland Security FEMA	0	0	0	0	52,974
Debt Service - Lease payment on truck	12,000	24,000	11,451	12,549	11,471
Special Fund	5,000	5,000	0	0	0
Total expenditures	230,870	255,870	204,508	46,362	237,853
Excess (Deficiency) of Revenues Over Expenditures	0	(37,800)	7,646	40,446	75,141
OTHER FINANCING SOURCES (USES):					
Transfers (out) - Debt Service	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	0	(37,800)	7,646	40,446	75,141
Fund Balance, Beginning	499,188	499,188	499,188	0	424,047
Fund Balance, Ending	\$ 499,188	\$ 461,388	\$ 506,834	\$ 40,446	\$ 499,188

Notes to Budgetary Comparison Schedule:

The Original and Final Budget are prepared using the Modified Accrual Basis of Accounting (GAAP)

Excess Expenditures over Appropriations - The final budget for 2010 includes expenditures in excess of budget appropriations of \$37,800. This is largely due to possible pay-off of capital lease in 2010, which did not actually occur until 2011.

Information Required by Government Auditing Standards

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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*

To Mr. Carroll P. Bourgeois, Executive in Charge and
Members of the Board of Commissioners
Fire Protection Sub - District No. 1 of West Baton Rouge Parish

I have audited the accompanying financial statements of the governmental activities and each major fund of the Fire Protection Sub - District No. 1 of West Baton Rouge Parish, as of and for the year ended December 31, 2010 which collectively comprise the Fire Protection Sub -- District No. 1 of West Baton Rouge Parish's basic financial statements, and have issued my report thereon dated June 29, 2011. I have 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 Fire Protection Sub - District No. 1 of West Baton Rouge Parish'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 Fire Protection Sub-District No. 1 of West Baton Rouge Parish's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Fire Protection Sub-District No. 1 of West Baton Rouge Parish'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 a 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 and corrected on a timely basis.

My consideration of internal control over financial reporting was for a limited purpose described in the first paragraph of this section and designed to identify all deficiencies in internal control over financial reporting 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 and Other Matters

As part of obtaining reasonable assurance about whether the Fire Protection Sub - District No. 1 of West Baton Rouge Parish'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 provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the Executive in charge and members of the Board of Commissioners of Fire Protection Sub - District No. 1 of West Baton Rouge Parish and the Legislative Auditor of the State of Louisiana, federal funding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

W. Kathleen Beard, CPA

June 29, 2011

Fire Protection Sub-District No. 1 of West Baton Rouge Parish
Schedule of Findings and Responses
As of and for the Year Ending December 31, 2010

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Fire Protection Sub-District No. 1 of West Baton Rouge Parish.
2. No significant deficiencies in internal control were disclosed during the audit of the basic financial statements in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Fire Protection Sub-District No. 1 of West Baton Rouge Parish were disclosed during the audit.

B. Findings - Financial Statements Audit

Section I Internal Control or Compliance Material to the Financial Statements:

Internal Control

Significant Deficiencies ___ Yes X No

Material Weaknesses ___ Yes X No

Other Conditions ___ Yes X No

Compliance

Material to the Financial Statements ___ Yes X No

Section II Internal Control or Compliance Material to the Federal Awards:

N/A – Federal awards below \$500,000 threshold required by OMB Circular A- 133

Section III – Management Letter:

None

Fire Protection Sub-District No. 1 of West Baton Rouge Parish
Schedule of Findings Responses Prior Year
As of and for the Year Ending December 31, 2010

Prior Year Findings

B. Findings - Financial Statements Audit

Section I Internal Control or Compliance Material to the Financial Statements

None

Section II Internal Control or Compliance Material to the Federal Awards:

N/A – Federal awards below \$500,000 thresh hold required by OMB Circular A- 133

Section III – Management Letter:

None