

**CADDO PARISH COMMUNICATIONS
DISTRICT NUMBER ONE
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana**

DECEMBER 31, 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 6-29-05

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SHREVEPORT, LOUISIANA

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SHREVEPORT, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
SHREVEPORT, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Our discussion and analysis of Caddo Parish Communications District Number One's (the District) financial performance provides an overview of the Caddo Parish Communications District Number One's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Caddo Parish Communications District Number One's net assets increased by \$200,247 or 2.3%.

The Caddo Parish Communications District Number One's total general revenues were \$4,015,506 in 2004 compared to \$3,826,205 in 2003.

During the year ended December 31, 2004, the Caddo Parish Communications District Number One had total expenses, excluding depreciation of \$1,034,603, of \$2,780,656 compared to total expenses, excluding depreciation of \$1,029,076, of \$2,786,183 for the year ended December 31, 2003.

As of December 31, 2004, the assets of the District exceeded liabilities by \$8,906,535. \$7,996,240 or 89.7% of net assets are invested in capital assets while \$910,295 or 10.3% of net assets are unrestricted and may be used at the District's discretion to meet on going obligations to the citizens.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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.

- 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 changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been suggested for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund - General Fund, which is a governmental fund.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the *government-wide financial statements*, *governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year.* Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$8,906,535 as of December 31, 2004, compared to \$8,706,288 at the end of the previous year.

The largest portion of the District's net assets totaling \$7,996,240 is in its investment in capital assets. The District uses these capital assets in the execution of its duties; consequently, these assets are not available for future spending. The investment in capital assets has been reduced by the amount of outstanding debt, the proceeds of which were used in the construction or purchase of the assets.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and other assets	1,091,161	945,023
Capital assets	<u>16,375,364</u>	<u>17,237,152</u>
Total assets	17,466,525	18,182,175
Current and other liabilities	136,232	203,152
Long-term liabilities (including current portion)	<u>8,423,758</u>	<u>9,272,735</u>
Total liabilities	8,559,990	9,475,887
Net assets:		
Invested in capital assets, net of related debt	7,996,240	8,015,476
Unrestricted	<u>910,295</u>	<u>690,812</u>
Total net assets	<u>8,906,535</u>	<u>8,706,288</u>

The balance of unrestricted net assets of \$910,295, at December 31, 2004, is used to meet the District's ongoing obligations to citizens.

Governmental activities increased the District's net assets by \$200,247 for the year ended December 31, 2004, which was a 2.3% increase in the net assets, compared to an increase of \$224,632 for the year ended December 31, 2003, which was a 2.6% increase in net assets. Key elements of the increases are as follows:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues-general:		
Telephone tariffs	3,742,158	3,592,560
Other	<u>273,348</u>	<u>233,645</u>
Total revenues	4,015,506	3,826,205
Expenses:		
Public safety	<u>3,815,259</u>	<u>3,601,573</u>
Increase in net assets	200,247	224,632
Net assets, beginning of year	<u>8,706,288</u>	<u>8,481,656</u>
Net assets, end of year	<u>8,906,535</u>	<u>8,706,288</u>

Total revenues increased \$189,301 (4.9%) from 2003 to 2004. A significant portion of the increase is due to an increase in the cellular phone industry, generating increased tariffs for the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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 spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the District's general fund reported an ending fund balance \$935,091, an increase of \$217,668 (30.3%) from the prior fiscal year. The fund balance is unreserved and available for spending. The increase is due primarily to the increase in users with new providers coming into the market.

Budgetary Highlights

The original budget for the year ended December 31, 2004 for the District was adopted in December 2003. Two budget revisions were made during the year ended December 31, 2004. The District's budgetary comparison schedule is presented as required supplementary information and shown on Page 18. There were no significant variations between final budget amounts and actual budget results. The original budgeted amount for telephone tariffs was increased \$213,010 due to increases in users and amounts received. The original budgeted amount for contracted services expenditures was increased \$259,952 due to increases in professional services for data communications enhancement. The original budgeted amount for capital outlay expenditures was decreased \$18,689 due to delay of implementation of communications enhancements. There were no other significant changes from the original budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets as of December 31, 2004 amounts to \$16,375,364 (net of accumulated depreciation) compared to \$17,237,152 at December 31, 2003. This investment in capital assets includes land, building and improvements, and furniture and equipment. During 2004, the District added \$172,815 in capital assets which were offset by \$1,034,603 in current year depreciation. For additional information regarding capital assets, see Notes 1 and 3 to the basic financial statements.

Long-Term debt: At December 31, 2004, the District had total debt outstanding of \$8,423,758 compared to \$9,272,735 at December 31, 2003. The following table summarizes debt outstanding at December 31, 2004 and 2003:

Table 3
Outstanding Debt

	<u>2004</u>	<u>2003</u>
Certificates of indebtedness	8,500,000	9,360,000
Deferred loss on refunding	<u>(76,242)</u>	<u>(87,265)</u>
Total	<u>8,423,758</u>	<u>9,272,735</u>

For additional information regarding long-term debt, see Note 6 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The historical results were utilized to project revenues and expenditures in preparing the budget for the fiscal year 2005. The following economic factors were considered when preparing the budget for the year ended December 31, 2005.

- There were no significant changes in revenues and expenditures for 2005 except for capital outlay and debt services.
- Budgeted capital outlay expenditures were increased to reflect planned expenditures to complete projects for communications enhancements.
- The District also approved and issued in 2005, \$510,000 in certificates of indebtedness to provide funds for part of a match of a federal communications technology grant which was jointly applied for by the District and the Shreveport Police Department.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Martha Carter, 911 Administrator, or by calling (318) 675-2222.

AUDITED FINANCIAL STATEMENTS

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May 20, 2005

Members of the Board of Commissioners
Caddo Parish Communications District Number One

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005, on our consideration of the District's internal control over financial reporting and our 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 our 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 our audit.

The management's discussion and analysis on Pages i-v, and the budgetary comparison schedule information on Pages 18-19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information required in accordance with Louisiana Revised Statute (LRS) 33:9109E on Page 20 is presented for purposes of additional analysis as required by LRS 33:9109E and is not a required part of the basic financial statements. The information required by LRS 33:9109E has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Heard, McElroy & Ventral, LLP

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

ASSETS

Cash and cash equivalents	501,131
Accounts receivable	488,611
Prepaid assets	56,785
Bond issuance costs, net of accumulated amortization	44,634
Capital assets:	
Land	448,307
Other capital assets, net of accumulated depreciation	<u>15,927,057</u>
Total assets	<u>17,466,525</u>

LIABILITIES

Accounts payable	77,801
Interest payable	24,796
Deferred revenue	33,635
Long-term liabilities:	
Due within one year	900,000
Due in more than one year	<u>7,523,758</u>
Total liabilities	<u>8,559,990</u>

NET ASSETS

Invested in capital assets, net of related debt	7,996,240
Unrestricted	<u>910,295</u>
Total net assets	<u>8,906,535</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues- Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
Total governmental activities-public safety	(3,815,259)	-	(3,815,259)
General revenues:			
Telephone tariff			3,742,158
Tower lease income			121,656
Interest			7,731
Miscellaneous			<u>143,961</u>
Total general revenues			<u>4,015,506</u>
Change in net assets			200,247
<u>Net assets, beginning of year</u>			<u>8,706,288</u>
<u>Net assets, end of year</u>			<u>8,906,535</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GOVERNMENTAL FUND

BALANCE SHEET

DECEMBER 31, 2004

<u>ASSETS</u>	<u>General Fund</u>
Cash and cash equivalents (Note 2)	501,131
Accounts receivable	488,611
Prepaid assets	<u>56,785</u>
Total assets	<u>1,046,527</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Accounts payable	77,801
Deferred revenue (Note 4)	<u>33,635</u>
Total liabilities	111,436
Total fund balance-unreserved-undesignated	<u>935,091</u>
Total liabilities and fund balance	<u>1,046,527</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund balances-total governmental funds		935,091
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of capital assets	21,950,957	
<u>Less-accumulated depreciation</u>	<u>(5,575,593)</u>	16,375,364
Governmental funds report the effects of debt issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.		
Bond issuance costs	55,635	
Accumulated amortization	(11,001)	
Loss on refunding	92,777	
Accumulated amortization	<u>(16,535)</u>	120,876
Long-term liabilities and interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Balances at December 31, 2004 are:		
Long-term liabilities-certificates of indebtedness	(8,500,000)	
Interest payable	<u>(24,796)</u>	<u>(8,524,796)</u>
Net assets of governmental activities		<u>8,906,535</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>
<u>Revenues:</u>	
Telephone tariffs	3,742,158
Tower lease income (Note 4)	121,656
Interest income	7,731
Miscellaneous	<u>143,961</u>
Total revenues	4,015,506
<u>Expenditures:</u>	
Current-public safety:	
Personal services	603,924
Materials and supplies	36,144
Contracted services (Note 7)	1,829,599
Capital outlay:	
System enhancements:	
Computer-assisted dispatch	135,525
Other	13,311
Debt service:	
Principal	860,000
Interest, fees, and charges	<u>319,335</u>
Total expenditures	<u>3,797,838</u>
<u>Excess of revenues over expenditures</u>	217,668
<u>Fund balance, beginning of year</u>	<u>717,423</u>
<u>Fund balance, end of year</u>	<u>935,091</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Excess of revenues over expenditures - total governmental funds	217,668
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures: However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay additions	172,815	
Depreciation expense	<u>(1,034,603)</u>	(861,788)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.

Repayment of bond principal	860,000
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Governmental funds report the effects of debt issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of bond issuance costs	(6,425)	
Amortization of loss on bond refunding	<u>(11,023)</u>	(17,448)

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

1,815

Change in net assets of governmental activities

200,247

The accompanying notes are an integral part of these financial statements.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. **Summary of Significant Accounting Policies**

The Caddo Parish Communications District Number One (the District) was created by the Caddo Parish Commission (the Commission) by ordinance on September 25, 1985, as provided under the Louisiana Revised Statute 33:9103. The District is comprised of property within the Parish of Caddo and is governed by a Board of Commissioners. The purpose of the District is to provide a primary three-digit emergency telephone number (911) and related support system for Caddo Parish.

Reporting Entity

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

Five members of the Board of Commissioners are chosen by the City of Shreveport and two are chosen by the Commission. The Commission, however, must approve all city appointments. The District constitutes a political subdivision of the State of Louisiana and is a component unit of the Commission.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies:

(a) ***Basis of Presentation - Fund Accounting***

Government-Wide and Fund Financial Statements

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The government-wide financial statements (GWFS) (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District.

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 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

1. Summary of Significant Accounting Policies (Continued)

clearly identifiable with a specific function or segment. There are no indirect expenses allocated to this function. Depreciation expense is included in the direct expense of the function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other items, such as interest income, not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements (FFS) are provided for governmental funds. Major individual governmental funds are reported as separate columns in the FFS. The District has only one fund - the General Fund, which is reported as a major fund and is used to account for all the activities of the District. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through the General Fund.

(b) Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The telephone tariff is a nonexchange transaction and is recognized in the period when the related telephone service is provided.

Fund Financial Statements

Governmental Funds

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

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

The modified accrual basis of accounting is followed by all governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Telephone tariff, investment income and

1. **Summary of Significant Accounting Policies** (Continued)

tower lease income are susceptible to accrual and are recognized when earned. Miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Expenditures related to long-term liabilities are recognized when the liability is incurred and has matured.

(c) ***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the GWFS. Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available, and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The District maintains a threshold level for capitalization of \$1,500 for all fixed assets. 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.

Capital assets are not reported in the FFS.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is calculated based on the following estimated useful lives:

Building and improvements	10-30 years
Furniture and equipment	4-30 years

(d) ***Long-Term Liabilities***

In the GWFS, long-term debt is reported as a liability in the statement of net assets. Bond issuance costs are deferred and amortized over the life of the bonds.

In the FFS, governmental funds recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(e) ***Telephone Tariffs***

The District's primary revenue source is the landline exchange telephone service supplier's tariff collected by two telephone companies. These tariffs are charged on the customer's monthly telephone bills. Effective September 1996, the voters approved rates for residential and commercial line customers of \$1.00 and \$2.00, respectively.

In addition, the District collects telephone tariff revenues from cellular or other wireless telecommunication service providers. In September 1996, the voters approved two propositions that (1) gave the District the authority to use such revenues for communications enhancement, (2) clarified the District's authority to collect such charges, and (3) converted the tariff to a flat rate and increased the tariff. The cellular telephone tariff rate increased from \$.40 to \$1.00 effective July 1, 1997.

1. Summary of Significant Accounting Policies (Continued)

Total revenues derived from wireless service providers in Caddo Parish for the year ended December 31, 2004 were \$1,741,511. Total expenditures for FCC-mandated communication enhancements for the year ended December 31, 2004 were \$1,271,453.

(f) *Investments*

Investments in money market investments, consisting of money market funds and U.S. agency obligations with a maturity of three months or less at the time of purchase, are reported at cost and classified as cash and cash equivalents. State statutes generally authorize the District to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission.

(g) *Use of Estimates*

Management of the District has made a number of estimates and assumptions relating to the assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Deposits

At December 31, 2004, the carrying value and the bank balance of the District's deposits were \$496,920 and \$532,369, respectively. This difference is due to the outstanding checks at December 31, 2004. All deposits were insured entirely by federal depository insurance or collateralized with securities held in the District's name by a bank other than the pledging bank. The remaining cash balance of \$4,211 consisted of mutual fund investments that are not categorized as to level of risk because they are not evidenced by securities that exist in physical or book entry form.

3. Capital Assets

A summary of change in capital assets is as follows:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2004</u>
Capital assets not being depreciated:				
Land	448,307	-	-	448,307
Capital assets being depreciated:				
Building and improvements	5,804,304	6,339	-	5,810,643
Furniture and equipment	<u>15,531,178</u>	<u>166,476</u>	<u>5,647</u>	<u>15,692,007</u>
Total assets being depreciated	21,335,482	172,815	5,647	21,502,650

3. **Capital Assets (Continued)**

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2004</u>
<u>Less-accumulated depreciation for:</u>				
Buildings and improvements	1,543,657	195,036	-	1,738,693
Furniture and equipment	<u>3,002,980</u>	<u>837,290</u>	<u>3,370</u>	<u>3,836,900</u>
Total accumulated depreciation	<u>4,546,637</u>	<u>1,032,326</u>	<u>3,370</u>	<u>5,575,593</u>
 Total capital assets being depreciated, net	 <u>16,788,845</u>	 <u>(859,511)</u>	 <u>2,277</u>	 <u>15,927,057</u>
 Capital assets, net	 <u>17,237,152</u>	 <u>(859,511)</u>	 <u>2,277</u>	 <u>16,375,364</u>

Depreciation expense of \$1,034,603 was charged to the public safety function for governmental activities.

4. **Lease Revenue**

At December 31, 2004, the District leases two communications tower sites to a third party.

The future rental receipts for each of the years subsequent to December 31, 2004, under existing lease agreements (which expire in 2007 and 2010), are as follows:

Year Ending December 31:

2005	140,543
2006	141,693
2007	111,993
2008	93,093
2009	93,093
2010	<u>15,884</u>
	<u>596,299</u>

Total rental revenue under the lease agreements was \$121,656 for 2004.

At December 31, 2004, the District received rental payments of \$33,635 related to 2005. These payments have been reflected as deferred revenue and will be recognized in 2005 in conjunction with the related lease period.

5. **Lease Commitments**

At December 31, 2004, the District has three noncancelable operating leases for the lease of land on which communication tower sites were constructed.

The minimum annual commitments under noncancelable operating leases (which expire in 2010) are as follows:

5. Lease Commitments (Continued)

Year Ending December 31:

2005	114,810
2006	118,120
2007	140,064
2008	108,185
2009	100,836
2010	<u>20,361</u>
	<u>602,376</u>

Total rental expenditures under operating leases was \$114,972 for 2004 and has been reflected in contracted services in the accompanying financial statements.

6. Long-Term Debt

Long-term debt, excluding a deferred loss on refunding of \$76,242, at December 31, 2004 consisted of the following:

\$4,500,000 Certificates of Indebtedness, Series 2000, due in annual installments of \$270,000 to \$460,000 through December 1, 2014, interest at 4.25%.	3,565,000
\$1,205,000 Certificates of Indebtedness, Series 2002 Refunding, due in annual installments of \$125,000 to \$150,000 through December 1, 2011, interest at 2.65% to 4.235%.	940,000
\$4,500,000 Certificates of Indebtedness, Series 2003 Refunding, due in annual installments of \$505,000 to \$635,000 through December 1, 2011, interest at 1.60% to 3.55%.	<u>3,995,000</u>
	<u>8,500,000</u>

A summary of changes in long-term debt follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance December 31, 2004</u>	<u>Due in One Year</u>
Certificates of indebtedness-2000	3,820,000	-	(255,000)	3,565,000	270,000
Certificates of indebtedness-2002 Refunding	1,060,000	-	(120,000)	940,000	125,000
Certificates of indebtedness-2003 Refunding	4,480,000	-	(485,000)	3,995,000	505,000
Deferred loss on refunding	<u>(87,265)</u>	<u>-</u>	<u>11,023</u>	<u>(76,242)</u>	<u>-</u>
	<u>9,272,735</u>	<u>-</u>	<u>(848,977)</u>	<u>8,423,758</u>	<u>900,000</u>

6. Long-Term Debt (Continued)

There are a number of limitations and restrictions contained in the Certificates of Indebtedness. Management believes that the District is in substantial compliance with all significant limitations and restrictions. The certificates are secured by and payable solely from a pledge of the excess of annual revenues.

The annual requirements to amortize long-term debt as of December 31, 2004 are as follows:

Years ending December 31:	<u>Certificates of Indebtedness</u>	<u>Interest Payments</u>	<u>Total</u>
2005	900,000	297,558	1,197,558
2006	940,000	273,430	1,213,430
2007	980,000	246,188	1,226,188
2008	1,030,000	215,375	1,245,375
2009	1,070,000	180,255	1,250,255
2010-2013	3,120,000	335,437	3,455,437
2014	<u>460,000</u>	<u>19,550</u>	<u>479,550</u>
	<u>8,500,000</u>	<u>1,567,793</u>	<u>10,067,793</u>

7. Contracted Services

Contracted services include payments for outside services such as telephone, equipment and property maintenance, tower rental, utilities, payments to the City of Shreveport, and professional services. *Payments to the City of Shreveport were to reimburse the Shreveport Fire Department for the costs associated with providing centralized dispatching for the Caddo Parish Fire Districts.* A summary of contracted services for the year ended December 31, 2004 is as follows:

Telephone	739,446
Payments to the City of Shreveport	255,000
Equipment and property maintenance	303,106
Tower rental	114,972
Professional services	131,855
Utilities	86,326
Other	<u>198,894</u>
	<u>1,829,599</u>

8. Benefit Plan

The District provides a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Effective September 30, 2000, all District employees withdrew from the City of Shreveport Employees' Retirement System and began contributing to the District's Section 457 Plan. Because the District's Section 457 Plan does not meet the criteria established under GASB Statement No. 32, the balances in assets and liabilities were not presented in the financial statements of the District. The District's contribution to the District's Section 457 Plan was \$32,425 for the year ended December 31, 2004.

9. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the District's insurance coverage.

10. **Subsequent Event**

The District and the Shreveport Police Department were successful in jointly applying for a Community Oriented Policing Services (COPS) Communications Technology Grant. This grant totals \$2,998,900, plus a participant match of \$999,633, and will be used during 2005 to develop a parish-wide mobile data system that will allow all public safety agencies in Caddo Parish to communicate and share data on one common data network. The District also approved and issued in 2005 \$510,000 in Certificates of Indebtedness to generate the funds necessary for part of its share of the required match.

REQUIRED SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance with Final Budget</u>
<u>Revenues:</u>				
Telephone tariffs	3,530,326	3,743,336	3,742,158	(1,178)
Tower lease income	95,146	155,291	121,656	(33,635)
Interest income	5,000	5,000	7,731	2,731
Miscellaneous	<u>141,491</u>	<u>144,762</u>	<u>143,961</u>	<u>(801)</u>
Total revenues	3,771,963	4,048,389	4,015,506	(32,883)
<u>Expenditures:</u>				
Current-public safety:				
Personal services	611,386	611,786	603,924	7,862
Material and supplies	37,800	37,800	36,144	1,656
Contracted services	1,520,440	1,780,392	1,829,599	(49,207)
Capital outlay	330,000	148,311	148,836	(525)
Debt service (principal, interest, fees, and charges)	<u>1,179,336</u>	<u>1,179,336</u>	<u>1,179,335</u>	<u>1</u>
Total expenditures	<u>3,678,962</u>	<u>3,757,625</u>	<u>3,797,838</u>	<u>(40,213)</u>
<u>Excess of revenues over expenditures</u>	93,001	290,764	217,668	(73,096)
<u>Fund balance-beginning of year</u>	<u>672,911</u>	<u>717,423</u>	<u>717,423</u>	<u>-</u>
<u>Fund balance-end of year</u>	<u>765,912</u>	<u>1,008,187</u>	<u>935,091</u>	<u>(73,096)</u>

UNAUDITED

See accompanying independent auditor's report.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

NOTES TO BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2004

Budget and Budgetary Accounting

The District adopts a budget for the General Fund. Budgetary data was prepared based on prior year actual operating revenues and expenditures.

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

- (1) The budget sub-committee prepares a proposed budget and submits it to the Board of Commissioners. At the same time, a public hearing is called.
- (2) A public hearing is held on the proposed budget.
- (3) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution at least 15 days prior to the commencement of the fiscal year for which the budget is being adopted.
- (4) The budget document is structured such that revenues are budgeted by source and appropriations are budgeted by function and by object. District policy provides that expenditures may not legally exceed appropriations on a functional basis. Budgetary amendments require approval of the Board of Commissioners. Two budget revisions were made during the year ended December 31, 2004.
- (5) All budgetary appropriations lapse at the end of each fiscal year.

The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for the fund.

Excess of Expenditures Over Budget - Major Funds

During 2004, based on the legally adopted level of control for budgetary purposes, the following functions had excess expenditures over appropriations:

Public safety expenditures	39,689
Capital outlay expenditures	525

UNAUDITED

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH

LOUISIANA REVISED STATUTE 33:9109E

YEAR ENDED DECEMBER 31, 2004

The District assesses a 911 surcharge fee for cellular and other wireless services. The assessment of the wireless 911 surcharge fee was approved to fund, along with other funding sources, Phases I and II enhancements required by the FCC, a parish wide 800 MHz trunked radio system, and other communication enhancements. As of December 31, 2004, the radio project is completely implemented and is being used to serve the citizens of Caddo Parish.

Total revenues derived from wireless service providers in Caddo Parish for the year ended December 31, 2004 are as follows:

2004	<u>1,741,511</u>
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Total expenditures for Phase I enhancements, the radio system, and other communication enhancements for the year ended December 31, 2004 are as follows:

Phase I enhancements	153,322
Other communication enhancements	<u>1,118,131</u>
	<u>1,271,453</u>

The District will commence Phase II implementation in 2005.

UNAUDITED

See accompanying independent auditor's report.

OTHER REPORTS

HEARD McELROY & VESTAL

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May 20, 2005

Members of the Board of Commissioners
Caddo Parish Communications District Number One

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*

We have audited the financial statements of the governmental activities and the major fund of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the members of the Board of Commissioners, management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2004

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Caddo Parish Communications District Number One.
2. No reportable conditions relating to the audit of the basic financial statements are reported.
3. No instances of noncompliance material to the basic financial statements of Caddo Parish Communications District Number One were disclosed during the audit.
4. Caddo Parish Communications District Number One was not subject to a Federal Single Audit for the year ended December 31, 2004.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2004

There were no findings and questioned costs from the prior year.