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**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

ANNUAL FINANCIAL REPORT

**As of and for the year ended
September 30, 2003**

(With Accountant's Report Thereon)

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 3.10.04

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Annual Financial Report
As of and for the year ended
September 30, 2003
With Supplemental Information Schedule

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MICHAEL K. GLOVER

Certified Public Accountant

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Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

I have audited the accompanying financial statements of the St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the St. George Fire Protection District No. 2 management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Governmental 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 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 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 financial position of the St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of September 30, 2003, and the results of operations for the year ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and other required supplementary information listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Michael K. Glover

Baton Rouge, LA
January 5, 2004

**St. George Fire Protection District
Baton Rouge, Louisiana
Management Discussion and Analysis
For the Year Ended September 30, 2003**

Our discussion and analysis of the St. George Fire Protection District's financial performance provides an overview of the Commissioners financial activities.

FINANCIAL HIGHLIGHTS

The Commissioners adopted the increase of millage from an election held May 4, 2002. A new millage of 1.25 is to provide funds for salaries, benefits and related expenses and the 1.5 millage is to provide funds for capital improvements and debt service. These millages, along with an almost 15% increase in the tax roll, resulted in an increase of property taxes for the September 30, 2003 year end of \$1,916,266.

The Commissioners assets exceeded its liabilities by \$748,800 (net assets), which represents a 332% increase from September 30, 2002.

Total net assets are comprised of the following:

1. Capital assets of \$3,005,659 include four fire stations, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.
2. Unrestricted surplus in net assets of \$748,800.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commissioners annual report includes two financial statements. These statements are prepared on the accrual basis of accounting which is similar to the accounting used by most private sector companies.

The first of these financial statements is the Statement of Net Assets. This is the statement of position presenting information that includes all the assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator if the financial health is improving or deteriorating.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Assets. This statement reports on the assets changed as a result of current year operations. All current year revenues and expenses are included regardless of when case is received or paid.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Commissioners anticipate continued strong growth of the property tax base in excess of 8%. This anticipated increase in revenues will allow for the necessary continued expansion of services to the residents of the district.

FINANCIAL ANALYSIS AS A WHOLE

The State of Louisiana implemented the new reporting model used in this report beginning with those financial statements issued after December 31, 2001.

Management's Discussion and Analysis

Page 2

The net assets at fiscal year ended September 30, 2003, are \$ 748,800 . The following provides a summary of the net assets:

	2003	2002
Current and other assets	\$ 912,858	\$ 301,791
Capital Assets	<u>3,005,659</u>	<u>3,117,196</u>
Total Assets	3,918,517	3,418,937
Long-term Liabilities	1,717,438	2,064,716
Other liabilities	<u>1,452,279</u>	<u>1,128,572</u>
Total liabilities	3,169,717	3,193,288
Net Assets:		
Invested in capital assets, net of related debt	1,293,280	821,611
Unrestricted	<u>(544,480)</u>	<u>(595,692)</u>
Total net assets	\$ 748,800	\$ 225,649
	=====	=====

The following provides a summary of the changes in net assets:

	2003	2002
Revenues:		
Program revenues-service charges	\$ 874,727	\$ 872,373
-state supplemental	314,900	312,861
General revenues	<u>6,631,249</u>	<u>4,608,557</u>
Total	7,820,876	5,793,791
Operating expenses	<u>7,297,725</u>	<u>6,343,384</u>
Increase in net assets	523,151	(549,593)
Beginning net assets	<u>225,649</u>	<u>775,242</u>
Ending net assets	\$ 748,800	\$ 225,649
	=====	=====

BUDGETARY HIGHLIGHTS

The original budget was revised twice this year. The first revision was by approximately \$238,000 for additional property taxes and salaries. The second revision was a reduction of approximately \$266,000 in expenses in the Capital Improvement Fund due to the delaying of construction on Station 68. Some of the major changes in the budget from the previous year were as follows:

1. Revenues increased by \$2,023,614 due to an increase in millage.
2. Salaries and benefits were increased by \$805,139 from an increase of wages with the millage increase and additional employees.
3. Debt service was reduced by \$204,084.
4. Other operating expenses increased by \$116,102

CAPITAL ASSETS

At September 30, 2003, the Board had \$3,005,659 invested in capital assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 13686 Perkins Rd., Baton Rouge, LA 70810.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET ASSETS

Statement A

September 30, 2003

ASSETS

Cash and cash equivalents	\$	851,197
Receivable (Note 3)		44,321
Capital assets - net of accumulated depreciation (Note 4)		3,005,659
Deposits		17,340
 Total assets	 \$	 <u>3,918,517</u>

LIABILITIES

Accounts payable	\$	22,287
Salary benefits payable		88,493
Accrued interest		37,415
Long-term liabilities (Note 5):		
Due within one year		1,304,084
Due after one year		1,717,438
Total liabilities		<u>3,169,717</u>

NET ASSETS

Invested in capital assets, net of related debt		1,293,280
Unrestricted net assets:		
General fund		(544,480)
Total net assets	\$	<u>748,800</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Statement B

Statement of Activities
For the year ended September 30, 2003

	PROGRAM REVENUES		
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL
EXPENSES:			
Public safety - fire protection:			
Personnel services and related benefits	\$ 6,115,895	314,900	\$ 5,800,995
Repairs and maintenance	135,671		135,671
Legal and professional	51,166		51,166
Insurance	70,055		70,055
Contractual services	167,674		167,674
Office supplies	17,076		17,076
Supplies	135,422		135,422
Rental (Note 6)	139,089		139,089
Utilities	91,378		91,378
Interest on debt	101,363		101,363
Depreciation	266,553		266,553
Other	6,383		6,383
Total governmental activities	7,297,725		6,982,825
 Program revenues:			
Service charges			874,727
Net program expenses			6,108,098
 GENERAL REVENUES:			
Ad valorem taxes			6,165,549
Intergovernmental revenues:			
State revenue sharing			225,883
Fire insurance tax			189,674
Grant (Note 4)			20,000
Interest income			29,845
Miscellaneous			298
Total general revenues			6,631,249
 Changes in net assets			523,151
 Net assets:			
Beginning of the year			225,649
End of the year			\$ 748,800

FUND FINANCIAL STATEMENTS

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
BALANCE SHEET
GOVERNMENT FUNDS

Statement C

September 30, 2003

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 851,197
Receivable (Note 3)	44,321
Deposits	17,340
TOTAL ASSETS	<u>\$ 912,858</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 22,287
Salary benefits payable	88,493
Accrued interest	37,415
Deferred revenues	37,507
Long-term liabilities (Note 5):	
Due within one year	650,000
	<u>835,702</u>
 Fund balances:	
Unrestricted, reported in:	
General fund	<u>77,156</u>
Total fund balance	<u>77,156</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 912,858</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET
 TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Statement D

September 30, 2003

Total fund balances - governmental funds (Statement C) \$ 77,156

The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The Balance Sheet reports capital assets as a asset to the District. These capital assets are depreciated over their estimated useful lives in the Statement of Activities and are not reported in the governmental funds.

Cost of capital assets	\$	5,208,304	
Less: Accumulated depreciation		<u>(2,202,645)</u>	3,005,659

Long-term liabilities that are not due and payable in the current period are not reported as a fund liability. All liabilities - both current and long term - are reported in the Balance Sheet.

Balances at year end are:

Compensated absences payable	\$	(534,764)	
Series 2001 bond payable		<u>(1,836,758)</u>	(2,371,522)

Reporting property tax deferral in the fund statements to record taxes as they are available.		<u>37,507</u>
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Net Assets (Statement A)	\$	<u><u>748,800</u></u>
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ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA

Statement E

Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 Governmental Funds
 For the Year Ended September 30, 2003

		<u>GENERAL FUND</u>
REVENUES:		
Ad valorem taxes	\$	6,159,901
Service charge		874,727
Intergovernmental revenues:		
State revenue sharing		225,883
Fire insurance tax		189,674
Supplemental pay		314,900
Grant (Note 4)		20,000
Interest income		29,845
Miscellaneous		2,475
		<u>7,817,405</u>
EXPENDITURES:		
Personnel services and related benefits		6,059,089
Repairs and maintenance		135,671
Legal and professional		51,166
Insurance		70,055
Contractual services		167,674
Office supplies		17,076
Supplies		135,422
Rental (Note 6)		139,089
Capital outlay		163,626
Utilities		91,378
Debt service:		
Principle		204,084
Interest and other charges		101,363
		<u>7,335,693</u>
Total expenditures		
		<u>7,335,693</u>
Net change in fund balances		481,712
Fund balance:		
Beginning of the year		(404,556)
End of the year	\$	<u><u>77,156</u></u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Statement F

For the year ended September 30, 2003

Net change in fund balances-total governmental funds (Statement E)	\$ 481,712
Amounts reported for governmental activities in the statement of activities(Statement B) are different as follows:	
Government funds report principle payments on long term obligations as an expenditure. However in the statement of net assets, principle payments are recorded as a reduction of long-term liabilities.	204,084
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,806)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	5,648
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.	<u>(111,487)</u>
Change in net assets of governmental activities (Statement B)	\$ <u><u>523,151</u></u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Financial Statements
As of and for the Year ended September 30, 2003

INTRODUCTION

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that will govern the St. George Fire Protection District pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions. The Louisiana Constitution of 1974 permits the board member to be paid per diem attending the Board meetings and expenses in accordance with L.R.S. 40:1498; however, the board members are presently not being paid the permitted compensation.

The St. George Fire Protection District No. 2 presently has six stations and two additional stations under construction to provide fire protection for individuals within their district. This District employees approximately 100 full time employees and 6 part-time employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) was established to establish governmental accounting and financial reporting principles.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the City of Baton Rouge is the financial reporting entity for the Parish of East Baton Rouge. GASB Statement No. 14 established criteria for determining which component units should be considered part of the City of Baton Rouge and East Baton Rouge Parish for financial reporting purposes. The basis criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to Financial Statements (Continued)

A. Reporting Entity - (con't)

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

B. GOVERNMENT-WIDE ACCOUNTING:

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and Statement of Activities for the district as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide Accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. The Statement of Net Assets and Statement of Activities are reported on the accrual basis of accounting.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

Application of FASB Statements and Interpretations

Reporting on governmental-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Assets.

Program Revenues

The Statement of Activities presents two categories of program revenues - (1) charges for services and (2) operating grants and contributions.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to Financial Statements (Continued)

Program Revenues (con't)

Charges for services - are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the program's goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessment, and include payments from exchange transactions with other governments.

Operating grants and contributions - are resources that are restricted for operating purposes of a program. They include grants and contributions with restriction that permit the resources to be used for a programs operating of capital needs at the recipient government's discretion. If multipurpose contributions and grants that provide financing for more than on program are specifically identified, they are included as program revenues. Reported as a contribution is the supplemental salary paid to the firefighters by the State of Louisiana and reported by the District.

C. FUND ACCOUNTING

The district uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity using the modified accrual method to report revenues and expenditures.

Funds of the District are classified as governmental funds. Governmental funds account for district's general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the district include:

General Fund--the general fund is the operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was 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. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CON'T)

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus and a modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they are measurable and available. Measurable means the amount of the transaction can be determined and available means collectible when the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

E. BASIS OF ACCOUNTING

Revenues and deferred revenues

Ad valorem taxes and the service charge are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. The calendar for the 2001 ad valorem tax roll was as follows:

	Service charges And <u>Ad valorem taxes</u>
Levy date	January 1, 2002
Due date	December 31, 2003
Lien date	January 1, 2003
Collection date	December 3, 2002

Deferred revenues are those property taxes that have not met the "available" criteria.

State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the district is entitled to the funds.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources are recorded as a long-term debt.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets (capital project fund) are accounted for as other financing sources and are recognized when received. Fixed assets acquired through capital leases are recorded as expenditures and other financing sources at the time of acquisition.

F. BUDGET PRACTICES

The proposed budget for 2002 - 2003 was made available for public inspection on September 26, 2002. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on September 26, 2002, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

Under state law, the districts may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents.

H. CAPITAL ASSETS

Capital assets purchased in excess of \$500 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful life is management's estimate of how long the asset is estimated to meet service demands. A salvage value of ten percent of historical cost has been assigned to the buildings and vehicles. Straight line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Furniture	5-7 years
Equipment	5-10 years
Vehicles	5 years

Approximately 99.3 per cent of the assets are valued at historical cost and .7 per cent are valued at estimated cost based on vendor estimates of prices at the time of purchase.

Capitalized interest - Interest cost are capitalized when incurred by the general fund debt where proceeds were used to finance the construction of assets.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to Financial Statements (Continued)

I. COMPENSATED ABSENCES

This fire district has the following policy relating to vacation and sick leave:

Employees of this fire district earn from 1.5 to 2.5 days of annual leave each month and from 7.5 to 11 hours of sick leave each work period, depending on their length of service; however, before vacation time can be used, a waiting period of 360 calendar days must be completed. Every fireman employed by the fire protection district, shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than fifty-two weeks. Upon termination of employment, employees are paid for accrued annual leave up to the maximum accrual authorized. The plan assets remain the property of the fire district until paid or made available to participants, subject only to claims of the employer's general creditors.

The cost of leave privileges is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded as a long-term debt as a governmental activity.

2. LEVIED TAXES AND CHARGES

	<u>AUTHORIZED MILLAGE/RATE</u>	<u>LEVIED MILLAGE</u>	<u>EXPIRATION DATE</u>
Ad valorem taxes	10.00	10.00	2007
-For salaries and related benefits	1.25	1.25	2011
-Capital improvements and debt service	1.50	1.50	2006
Service charge (maximum rate)	\$32.00	N/A	7/31/2012

The boards of commissioners have designated \$576,250 of these taxes for improvements to existing fire stations and the purchase of equipment that will be accounted for in the General Fund. The unused balance is \$563,358.

3. RECEIVABLES

Receivables as of September 30, 2003, are as follows:

Ad valorem taxes	\$150,989
Service charge, net of commissions	<u>12,309</u>
	163,298
Less: Allowance for bad debts	<u>118,977</u>
	\$ 44,321
	=====

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
 Baton Rouge, Louisiana
 Notes to the Financial Statements (Continued)

5. LONG-TERM LIABILITIES (CON'T)

The short-term loan in the fund activities was used for operational requirements during the year.

Series 2001 was issued on November 18, 2001, with an original balance of 2,040,842 payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 4.4%. The certificate was issued under the Authority of Sections 2921 to 2925 of Title 33 of the Louisiana Revised Statutes of 1950 as amended, and other constitutional and statutory authority, and will be secured by and payable from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the years in the Certificate is outstanding.

The five year annual requirements to amortize the above certificates outstanding at September 30, 2003, including interest are as follows:

<u>Year Ending</u>	<u>Prnciple Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2004	\$ 204,084	76,328	280,412
2005	204,084	67,348	271,432
2006	204,084	58,368	262,452
2007	204,084	49,388	253,472
2008	204,084	40,408	244,492
Years thereafter	816,338	71,839	888,177
	\$ <u>1,836,758</u>	<u>363,679</u>	<u>2,200,437</u>

6. OPERATING LEASES

The reporting entity has entered into several operating leases for the rental of three buildings and equipment. For the year ended, rental expenditures with lease agreements exceeding a year, approximated \$53,288. Minimum lease payments for the next five years are as follows:

2002	\$ 14,127
2003	11,228
2004	9,504
2005	<u>3,168</u>
	\$ 38,027
	=====

Annual rental fees of fire hydrants were approximately \$85,000 for the year, there is not a lease agreement for this equipment. The leasing of this equipment is mandated by the City Parish of Baton Rouge in an agreement with the water companies. This annual rental fee for these hydrants has occurred since 1969.

7. PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters' Retirement System.

Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the respective plan depending on their date of employment. Both retirement systems are a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits of the Employees' Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of age. Benefits, depending upon the number of years of service, are either 2½% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

The benefits of the Firefighters' Retirement System are available to employees with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%.

Disability Benefits

Pension provisions of the Employees' Retirement System include both service connected and ordinary disability benefits. Under a service connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor for each year of service in excess of ten years. Under an ordinary disability, ten or more years of service to receive 50 percent of average compensation or 2 1/2% times the number of years of creditable service, whichever is greater. Disability benefits cease at the death of the disabled employee.

Active contributing employees are entitled to disability benefits under the provisions of the Firefighters' Retirement System. Any employee under the age of 50 who becomes totally disabled in the line of duty will receive 60% of their compensation, or 75% of their accrued retirement benefit with a minimum of 25% of average salary for an injury received, even though not in the line of duty. Any employee age fifty or older who becomes totally disabled from an injury sustained in the line of duty is entitled to the greater of 60% of compensation or their accrued retirement benefit. An employee age fifty or older who becomes totally disabled as a result of any injury, is entitled to benefits equal to their accrued retirement benefit with a minimum of 25% of average salary.

7. PENSION PLAN (CON'T)

Survivor Spouse Benefits

The pension provisions of the Employees' Retirement System for a qualifying spouse will receive 50 percent of the retired employee's pension amount. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit, if eligible; or \$600 per month plus \$150 per month for each minor child, if the employee was not eligible for benefits at time of death.

Survivor spouse benefits under the Firefighters' Retirement System are entitled to an annual benefit equal to two-thirds of the deceased employee's compensation if the employee's death is in the line of duty. If a member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit of 3% of the deceased employee's average compensation multiplied by their total years of creditable service. In no event is the annual benefit less than 40% nor more than 60% of the deceased employee's average final compensation.

Both of these Systems' issue an annual publicly available financial report that includes financial statements and required supplementary information for the Systems'. The respective reports may be obtained by writing to the Employee's Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060.

Funding Policy

Plan members of the Employees' Retirement System are required by the plan to contribute 9.5 percent for 2003, 2002 and 2001 of their gross pay while the employer contribution rate is 16.67 increased for 2003 and 16.13 percent, 2002 and 2001 of the annual covered payroll. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District and plan participants for the years ended September 30, 2003, 2002 and 2001, were \$432,811, \$378,516 and \$332,777, respectively, equal to the required contributions for each year.

Plan members of the Firefighters' Retirement System are required by the plan to contribute 8 percent for 2003, 2002 and 2001 of their gross pay, while the employer contribution rate is 9 percent for 2003, 2002 and 2001 of the annual covered payroll. The System increased the employer contribution rate to 18.25% effective May 2003. The District paid this increased rate until June 30, 2003, when the 19th Judicial District Court determined this increase was not constitutional by state statutes (Note 10). The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District and plan participants for the years ended September 30, 2003, 2002 and 2001, were \$522,158, \$378,144 and 272,718, respectively, equal to the required contributions for each year except for the months of July 2003 - September 2003. The Louisiana Supreme Court will review the trial court's finding of unconstitutionality (Note 10). This System also receives funds from insurance premium taxes each year as appropriated by the Legislature. These taxes are used as additional employer contributions.

8. CONCENTRATION OF CREDIT RISKS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The bank account balances were secured as follows:

Bank balances:	Amount
1. Insured or collateralized with securities held by the entity or its agency in the entity's name	\$100,000
2. Collateralized with securities held by the pledging institution's trust department or agent in the entity's name	798,379
3. Uncollateralized, including any securities held for the entity but not in the entity's name.	-
	<u>\$898,379</u>
	=====
Bank balance on financial statements	\$898,379
	=====

9. BOARD OF COMMISSIONERS

The District is government by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Mr. Johnny R Suchy	Chairman
Gary T. Durham	Secretary
Frank H. Collura	Board Member
Donald J. Kelly	Board Member
Lucius M. Butts	Board Member

10. CONTINGENCY

This State Firefighters' Retirement System (''FRS'') increased the employer contribution rate in May 2003 to 18.25%. The District paid this increased rate until June 2003. A suit was filed against the State of Louisiana (''State'') and the State Firefighters' Retirement System (''FRS'') involving the constitutionality of state statutes that purport to authorize the FRS to collect employers' contributions to the FRS of over nine percent (9%) of payroll. The case was tried and won. Accordingly, effective July 1, 2003, the District is now paying an employer contribution to the FRS of nine percent (9%). The case, however, is on appeal to the Louisiana Supreme Court. The trial court's judgment is not final. In the event that the trial court's judgment is reversed, the District would have to pay the difference between the nine percent (9%) and the amount currently being claimed by the FRS, twenty-four percent (24%). This could result in an exposure to the District in the \$400,000 range for a twelve month period. The council considers the outcome probable but uncertain in the Districts favor.

OTHER SUPPLEMENTAL INFORMATION AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a budget comparison schedule and reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The report on compliance internal control over financial reporting is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Budget Comparison Schedule - General fund
For the Year Ended September 30, 2003

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Ad valorem taxes and service charges	\$ 7,236,790	7,039,118	7,034,628	\$ (4,490)
Fire insurance tax	165,000	165,000	189,674	24,674
Intergovernmental revenues	217,700	532,670	540,783	8,113
Grant	20,000	20,000	20,000	-
Interest income	53,000	50,112	29,845	(20,267)
Other	500	15,000	2,475	(12,525)
Total revenues	<u>7,692,990</u>	<u>7,821,900</u>	<u>7,817,405</u>	<u>(4,495)</u>
EXPENDITURES:				
Personnel services and related benefits	5,833,240	6,382,786	6,059,089	(323,697)
Repairs and maintenance	87,000	117,000	135,671	18,671
Legal and professional	26,500	34,500	51,166	16,666
Insurance	69,250	69,250	70,055	805
Contractual services	144,130	140,278	167,674	27,396
Office supplies	10,200	10,200	17,076	6,876
Supplies	157,750	146,450	135,422	(11,028)
Rental	159,100	137,834	139,089	1,255
Capital outlay	-	-	163,626	163,626
Utilities	85,180	84,951	91,378	6,427
Debt service	304,410	304,410	305,447	1,037
Other	-	-	-	-
Total expenditures	<u>6,876,760</u>	<u>7,427,659</u>	<u>7,335,693</u>	<u>(91,966)</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	816,230	394,241	481,712	87,471
FUND BALANCES AT BEGINNING OF YEAR	<u>(404,556)</u>	<u>(404,556)</u>	<u>(404,556)</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 411,674</u>	<u>(10,315)</u>	<u>77,156</u>	<u>\$ 87,471</u>

MICHAEL K. GLOVER

Certified Public Accountant

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Member
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Report on Compliance and on Internal Control over Financial Reporting Based Upon
An Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana

I have audited the financial statements of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2003, and have issued my report thereon dated January 5, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, 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 the compliance with those provisions was not an objective on my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered St. George Fire Protection District No. 2 internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana
Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards
January 5, 2004

This report is intended solely for the information of management and interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Michael K. Glown

Baton Rouge, LA
January 5, 2004

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

Summary of Findings and Questioned Costs
For the Year ended September 30, 2003

A. SUMMARY OF AUDIT RESULTS

Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Reporting conditions identified that are considered material weaknesses?	_____	Yes	<u> X </u>	No
Noncompliance material to financial statements?	_____	Yes	<u> X </u>	No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no findings to report