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LEGISLATIVE AUDITOR

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

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**As of and for the year ended  
December 31, 1997**

**(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 audited, or reviewed, 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 MAR 25 1998

**Michael K. Glover  
Certified Public Accountant**

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

General Purpose Financial Statements  
 As of and for the year ended  
 December 31, 1997  
 With Supplemental Information Schedule

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MICHAEL K. GLOVER  
*Certified Public Accountant*

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general purpose financial statements of the St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, for the year ended December 31, 1997, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the St. George Fire Protection District No. 2 management. My responsibility is to express an opinion on these general purpose financial statements based on my audit. The financial statements of St. George Fire Protection District No. 2 as of December 31, 1996, were audited by other auditors whose report dated April 7, 1997, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and *Audits of State and Local Governments*, published by the Office of Management and Budget. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. George Fire Protection District No. 2 as of December 31, 1997, and the results of operations for the year ended December 31, 1997, in conformity with generally accepted accounting principles. In accordance with *Government Auditing Standards*, I have also issued a report dated February 24, 1998, on my consideration of the St. George Fire Protection District No. 2 internal control structure and on its compliance with laws and regulations.

*Michael K. Glover*

Baton Rouge, LA  
February 24, 1998

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS

STATEMENT A

Balance Sheet  
December 31, 1997

|   | <u>GOVERNMENTAL<br/>FUND TYPE</u> | <u>ACCOUNT GROUPS</u>               |  | <u>TOTAL<br/>(MEMORANDUM<br/>ONLY)</u> |
|---|-----------------------------------|-------------------------------------|--|--|
|   | <u>GENERAL<br/>FUND</u>           | <u>GENERAL<br/>FIXED<br/>ASSETS</u> | <u>GENERAL<br/>LONG-TERM<br/>OBLIGATIONS</u> |  |
| <b>ASSETS AND OTHER DEBITS</b>  |                                   |                                     |  |  |
| <b>Assets:</b>  |                                   |                                     |  |  |
| Cash and cash equivalents   | \$76,625                          |                                     |  | 76,625                                 |
| Receivable (Note 3)   | 925,688                           |                                     |  | 925,688                                |
| Land, buildings, and equipment (Note 4)   |                                   | 3,528,645                           |  | 3,528,645                              |
| Other debits - amount to be provided for<br>retirement of general long-term<br>obligations (Note 9) |                                   |                                     | 1,087,815                                    | 1,087,815                              |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>  | <u>\$1,002,313</u>                | <u>3,528,645</u>                    | <u>1,087,815</u>                             | <u>5,618,773</u>                       |
| <b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>   |                                   |                                     |  |  |
| <b>Liabilities:</b>   |                                   |                                     |  |  |
| Accounts payable  | 66,105                            |                                     |  | 66,105                                 |
| Payroll taxes payable   | 7,488                             |                                     |  | 7,488                                  |
| Note payable (Note 8)   | 100,000                           |                                     |  | 100,000                                |
| Compensated absences payable (Note 6)   |                                   |                                     | 69,273                                       | 69,273                                 |
| Capital lease obligations (Note 6 and 7)  |                                   |                                     | 104,098                                      | 104,098                                |
| Bonds Payable (Note 6)  |                                   |                                     | 914,444                                      | 914,444                                |
|   | <u>173,593</u>                    |                                     | <u>1,087,815</u>                             | <u>1,261,408</u>                       |
| <b>Equity and Other Credits:</b>  |                                   |                                     |  |  |
| Investment in general fixed assets (Note 4)   |                                   | 3,528,645                           |  | 3,528,645                              |
| Fund balances:  |                                   |                                     |  |  |
| Unreserved - undesignated   | 828,720                           |                                     |  | 828,720                                |
| <b>Total Equity and Other Credits</b>   | <u>828,720</u>                    | <u>3,528,645</u>                    |  | <u>4,357,365</u>                       |
| <b>TOTAL LIABILITIES, EQUITY AND<br/>OTHER CREDITS</b>  | <u>\$1,002,313</u>                | <u>3,528,645</u>                    | <u>1,087,815</u>                             | <u>5,618,773</u>                       |

The accompanying notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
 CITY OF BATON ROUGE  
 PARISH OF EAST BATON ROUGE, LOUISIANA  
 ALL FUND TYPES AND ACCOUNT GROUPS

STATEMENT B

Statement of Revenues, Expenditures,  
 and Changes in Fund Balance  
 For the Year Ended December 31, 1997

|   | GENERAL<br>FUND |
|---|-----------------|
| <b>REVENUES</b>   |                 |
| Ad valorem taxes  | \$996,443       |
| Service charge  | 702,662         |
| Intergovernmental revenues:   |                 |
| State revenue sharing   | 195,934         |
| Fire insurance tax  | 101,381         |
| Interest income   | 16,645          |
| Miscellaneous   | 2,727           |
| Total revenues  | 2,015,792       |
| <br><b>EXPENDITURES:</b>  |                 |
| Public safety:  |                 |
| Personnel services and related benefits   | 1,395,430       |
| Repairs and maintenance   | 97,061          |
| Legal and professional  | 15,313          |
| Insurance   | 60,197          |
| Contractual services  | 69,142          |
| Office supplies   | 2,156           |
| Supplies  | 90,079          |
| Rental  | 99,195          |
| Capital outlay  | 13,000          |
| Utilities   | 55,067          |
| Debt service  | 221,565         |
| Other   | 3,779           |
| Total expenditures  | 2,121,984       |
| <br><b>EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES<br/>OVER EXPENDITURES AND OTHER USES</b> | (106,192)       |
| <br><b>FUND BALANCES AT BEGINNING OF YEAR</b>   | 1,052,740       |
| Prior period adjustments (Note 10)  | (117,828)       |
| Adjusted beginning fund balance   | 934,912         |
| <b>FUND BALANCES AT END OF YEAR</b>   | \$828,720       |

The accompanying notes are an integral part of this statement.

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

STATEMENT C

Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 1997

|   | BUDGET                  | ACTUAL                | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---|-------------------------|-----------------------|--|
| <b>REVENUES</b>   |                         |                       |  |
| Ad valorem taxes  | \$995,000               | 996,443               | 1,443                                  |
| Fire protection user charges  | 819,300                 | 702,662               | (116,638)                              |
| Intergovernmental revenues  | 320,100                 | 297,315               | (22,785)                               |
| Other   | 2,400                   | 2,727                 | 327                                    |
| Interest income   | 18,000                  | 16,645                | (1,355)                                |
| Total revenues  | <u>2,154,800</u>        | <u>2,015,792</u>      | <u>(139,008)</u>                       |
| <b>EXPENDITURES:</b>  |                         |                       |  |
| Personnel services and related benefits   | 1,396,500               | 1,395,430             | 1,070                                  |
| Repairs and maintenance   | 65,400                  | 97,061                | (31,661)                               |
| Legal and professional  | 15,800                  | 15,313                | 487                                    |
| Insurance   | 67,800                  | 60,197                | 7,603                                  |
| Contractual services  | 49,400                  | 69,142                | (19,742)                               |
| Office supplies   | 7,000                   | 2,156                 | 4,844                                  |
| Supplies  | 118,500                 | 90,079                | 28,421                                 |
| Rental  | 109,300                 | 99,195                | 10,105                                 |
| Capital outlay  | 108,000                 | 13,000                | 95,000                                 |
| Utilities   | 43,400                  | 55,067                | (11,667)                               |
| Debt service  | 224,600                 | 221,565               | 3,035                                  |
| Other   | 10,700                  | 3,779                 | 6,921                                  |
| Total expenditures  | <u>2,216,400</u>        | <u>2,121,984</u>      | <u>94,416</u>                          |
| <b>EXCESS REVENUES (DEFICIENCY) OVER OTHER<br/>SOURCES OVER EXPENDITURES AND OTHER USES</b> | <b>(61,600)</b>         | <b>(106,192)</b>      | <b>(44,592)</b>                        |
| <b>FUND BALANCES AT BEGINNING OF YEAR</b>   | <b>1,052,740</b>        | <b>1,052,740</b>      |  |
| Prior period adjustments (Note 10)  | <u>(117,828)</u>        | <u>(117,828)</u>      |  |
| Adjusted beginning fund balance   | <u>934,912</u>          | <u>934,912</u>        |  |
| <b>FUND BALANCES AT END OF YEAR</b>   | <b><u>\$873,312</u></b> | <b><u>828,720</u></b> | <b><u>(44,592)</u></b>                 |

The accompanying notes are an integral part of this statement.

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 December 31, 1997

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 for 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 to provide fire protection for the approximate 80,000 individuals within their district. This District employs 20 full time employees and 57 part-time employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of St. George Fire Protection District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. 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)

B. 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.

C. FUND ACCOUNTING

The district uses funds and account groups 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 with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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, the acquisition or general fixed assets, and the servicing of general long-term debt. Governmental Fund of the district includes:

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. BASIS OF ACCOUNTING

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. 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:

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 1997 ad valorem tax roll was as follows:

|                 | <u>Ad valorem taxes</u> | <u>Service charge</u> |
|-----------------|-------------------------|-----------------------|
| Levy date       | January 1, 1997         | July 1, 1997          |
| Due date        | December 31, 1997       | October 31, 1997      |
| Lien date       | January 1, 1998         | December 8, 1997      |
| Collection date | December 3, 1997        | August 4, 1997        |



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

D. BASIS OF ACCOUNTING (Continued)

Revenues (con't)

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 is recorded in the general long-term obligations account group.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets 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.

E. BUDGET PRACTICES

The proposed budget for 1997 was made available for public inspection on December 10, 1997. 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 December 10, 1997, 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.

Neither encumbrance accounting nor formal integration of the budget into the accounting records are employed as a management control device. However, periodic comparisons of budget and actual amounts are made. (Encumbrance accounting is not used. However, 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.

F. 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.

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

F. CASH AND CASH EQUIVALENTS (CON'T)

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.

G. FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. They are valued at historical cost or estimated cost if historical cost is not available. 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. No depreciation has been provided on general fixed assets.

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 in the general long-term obligations account group.

J. TOTAL COLUMN ON STATEMENTS

The total column on the statements are captioned Memorandum Only to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles or results of operations.

2. LEVIED TAXES AND CHARGES

|                               | <u>AUTHORIZED<br/>MILLAGE/RATE</u> | <u>LEVIED<br/>MILLAGE</u> | <u>EXPIRATION<br/>DATE</u> |
|-------------------------------|------------------------------------|---------------------------|----------------------------|
| Ad valorem taxes              | 4.00                               | 4.00                      | 2004                       |
| Service charge (maximum rate) | \$32.00                            | N/A                       | 7/31/2001                  |

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

3. RECEIVABLES

Receivables as of December 31, 1997, are as follows:

| <u>Class of Receivable</u> |               |
|----------------------------|---------------|
| Ad valorem taxes           | \$879,450     |
| service charge             | <u>46,238</u> |
|                            | \$925,688     |
|                            | =====         |

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the period are as follows:

|   | BALANCE<br>DECEMBER 31,<br><u>1996</u> | ADDITIONS     | DELETIONS     | BALANCE<br>DECEMBER 31,<br><u>1997</u> |
|---|--|---------------|---------------|--|
| Land                                    | \$ 65,906                              | -             | -             | 65,906                                 |
| Buildings                               | 962,521                                | -             | -             | 962,521                                |
| Equipment under capital lease (Note 10) | 422,511                                |               |               | 422,511                                |
| Equipment (Note 10)                     | <u>2,146,747</u>                       | <u>13,000</u> | <u>82,040</u> | <u>2,077,707</u>                       |
|   | \$3,597,685                            | 13,000        | 82,040        | 3,528,645                              |
|   | =====                                  | =====         | =====         | =====                                  |

5. PENSION PLAN

Plan Description. Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District becomes a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits are vested after 12 years of service. Benefits are generally payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 25 years credible service at any 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.

Pension provisions 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 years of service are required 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.

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

5. PENSION PLAN (Continued)

Also included in pension provisions are death benefits whereby 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. Prior to 1990, the monthly benefit for survivor and dependents was \$250 and \$100, respectively.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the 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 (504) 389-3272.

Funding Policy. Plan members are required by the plan to contribute 8 percent of their gross pay, while the employer contribution rate is 15.08 percent 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 St. George Fire Protection District No. 2 contributions to the System for the years ended December 31, 1997, 1996, and 1995, were \$94,762, \$45,274, and \$29,008, respectively, equal to the required contributions for each year.

6. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations during the year ended December 31, 1997:

|                            | <u>Compensated</u><br><u>Absences</u> | <u>Capital</u><br><u>Leases</u> | <u>Bond</u><br><u>Debt</u> | <u>Totals</u>  |
|----------------------------|---------------------------------------|---------------------------------|----------------------------|----------------|
| Balance, December 31, 1997 | \$ 64,028                             | 148,017                         | 1,015,592                  | 1,227,637      |
| Additions                  | 51,785                                |                                 |                            | 51,785         |
| Reductions                 | <u>46,540</u>                         | <u>43,919</u>                   | <u>101,148</u>             | <u>191,607</u> |
| Balance, December 31, 1997 | \$ 69,273                             | 104,098                         | 914,444                    | 1,087,815      |
|                            | =====                                 | =====                           | =====                      | =====          |

The capital lease was originally issued December 31, 1989, for \$380,260 at a rate of 8.5% per annum maturing December 31, 1999. The proceeds were used to purchase equipment.

The Bond was originally a \$1,200,000 certificate of indebtedness dated October 1, 1994, payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 6.4% per annum. The certificates were 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 which the Certificates are outstanding.

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

6. CHANGES IN GENERAL LONG-TERM OBLIGATIONS (CON'T)

The annual requirements to amortize the above certificates outstanding at December 31, 1997, including interest of \$248,571, are as follows:

| <u>Year Ending</u> |                |
|--------------------|----------------|
| 1998               | \$ 166,145     |
| 1999               | 166,145        |
| 2000               | 166,145        |
| 2001               | 166,145        |
| 2002               | 166,145        |
| 2003               | 166,145        |
| 2004               | <u>166,145</u> |
|                    | \$1,163,015    |
|                    | =====          |

7. CAPITAL LEASES

The district acquired a capital lease to purchase equipment with an original cost of \$422,511. The following is a summary of future minimum lease payments under this lease for the years ending December 31:

|   | <u>General<br/>Long-Term Debt<br/>Account Group</u> |
|---|---|
| 1998  | \$ 57,954   |
| 1999  | <u>57,954</u>                                       |
| Minimum lease payments for<br>this capital lease  | 115,908   |
| Less: Amount representing interest<br>at the District's incremental<br>borrowing rate of interest | <u>11,810</u>                                       |
| Present value of minimum lease<br>payments  | \$104,098   |
|   | =====   |

8. NOTE PAYABLE

On December 23, 1997, this district obtained a \$100,000 loan at 5.053% per annum. This loan is due to be paid in full on March 1, 1998.

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:

|                     |              |
|---------------------|--------------|
| Frank H. Collura    | Chairman     |
| Ted J. Harbourt     | Board Member |
| Donald J. Kelly     | Secretary    |
| Michael W. Salmon   | Board Member |
| Mr. Johnny R. Suchy | Board Member |

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

10. PRIOR PERIOD ADJUSTMENTS

Several adjustments are necessary to correct errors of previous balances of accounts payable and accounts receivable. Accounts receivable need to be adjusted to record the receivables when they were measurable and available while account payables were overstated in the General Fund. Other adjustments are necessary to record assets at their correct balances, assets that were given to the District that were not recorded at their estimated values, equipment under capital lease were recorded at their original loan amount and not cost, and assets that were sold and deleted in previous years and not shown on the financial statements account group of general fixed assets. A summary of the effect to the respective accounts is as follows:

Governmental fund type-general fund

|   | <u>Beginning<br/>Balances</u> | <u>Adjustments<br/>Increase<br/>(Decrease)</u> | <u>Adjusted<br/>Balances</u> |
|---|-------------------------------|--|------------------------------|
| <b>Assets:</b>  |                               |  |                              |
| Cash and cash equivalents                                   | \$ 26,279                     | ( 3,350)                                       | 22,929                       |
| Service charges - net                                       | 613,822                       | (549,199)                                      | 64,623                       |
| Property taxes  | 378,834                       | 495,055  | 873,889                      |
| Other receivables   | 84,566                        | ( 84,566)                                      | -0-                          |
| <b>Liabilities:</b>   |                               |  |                              |
| Accounts payable and accrued expenses                       | 50,761                        | ( 24,232)                                      | 26,529                       |
| Fund balance  | 1,052,740                     | (117,828)                                      | 934,912                      |
| Equipment<br>Under Capital<br><u>Lease</u> <u>Equipment</u> |                               |  |                              |
| Account Group   |                               |  |                              |
| General fixed assets, unadjusted balance                    |                               | \$ 388,795                                     | 2,524,811                    |
| Adjust to cost  |                               | 33,716   |                              |
| Additions   |                               |  | 253,664                      |
| Deletions   |                               |  | ( 631,728)                   |
|   |                               | <u>\$ 422,511</u>                              | <u>2,146,747</u>             |
|   |                               | =====  | =====                        |

OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards* issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.

**MICHAEL K. GLOVER**  
*Certified Public Accountant*

Member  
American Institute of  
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10311 Jefferson Hwy Suite B-3  
Baton Rouge, Louisiana 70809

(504) 295-1860

Member  
Society of Louisiana  
Certified Public Accountants

**Independent Auditor's Report on  
Internal Control Structure Based on an Audit  
of General Purpose Financial Statements Prepared in  
Accordance with Government Auditing Standards**

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

I have audited the general purpose financial statements of the St. George Fire Protection District No. 2 for the year ended December 31, 1997, and have issued my report thereon dated February 24, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the St. George Fire Protection District No. 2 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of the St. George Fire Protection District No. 2 for the year ended December 31, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.



Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, Louisiana  
Report on the Internal Control Structure in  
Accordance with Government Auditing Standards  
February 24, 1998

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be considered a material weakness under standards established by the American Institute of Certified Public Accountants. 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 errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that I consider to be material weaknesses as defined above.

However, I noted certain matters involving its operation and I have reported to the management of the St. George Fire Protection District No. 2 in a separate letter dated February 24, 1998.

This report is intended for the information of management and interested federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

*Michael K. Glover*

Baton Rouge, LA  
February 24, 1998

**MICHAEL K. GLOVER**

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Certified Public Accountants

**Independent Auditor's Report  
on Compliance Based on an Audit of General  
Purpose 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 general purpose financial statements of the St. George Fire Protection District No. 2 as of and for the year ended December 31, 1997, and have issued my report thereon dated February 24, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the East Baton Rouge Parish Sheriff is the responsibility of St. George Fire Protection District No. 2's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the St. George Fire Protection District No. 2's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provision. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

I noticed certain immaterial instances of noncompliance that I have reported to the management of the St. George Fire Protection District No. 2 in a separate letter dated February 24, 1998.

This report is intended for the information of the audit committee, management and interested federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Baton Rouge, LA  
February 24, 1998

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February 24, 1998

Mr. Gerard C. Tarleton  
Fire Chief  
St. George Fire Protection District No. 2  
13686 Perkins Road  
Baton Rouge, LA 70810

LEGISLATIVE AUDITOR

Dear Mr. Tarleton:

In connection with my audit of the general purpose financial statements of the St. George Fire Protection District No. 2 as of December 31, 1997, and for the year then ended, I noted certain areas relating to the system of internal control and other areas not directly affecting the internal controls I felt were worth presenting comments and recommendations for your consideration. Considering the test character of an examination, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. These comments and recommendations were developed from observations made and information furnished to me during the course of my examination.

This letter deals with those areas I feel changes are desirable and practicable and does not necessarily disclose all weaknesses in the system. This letter should not be inferred that my examination failed to disclose good features in the internal controls; I simply do not enumerate them in detail because the purpose of this letter is to recommend possibilities for improvements.

Filing of the Budget

Observation

During the examination of the budget, I observed the budget preparer and a representative of the Board of Commissions, upon approval, did not sign this document

Recommendation

Before the proposed budget is submitted to the Board of Commissions and made available for public inspection, this document should be signed by the individual preparing the budget. Once the budget has been approved, it should be signed by a representative of the Board of Commissions.

Response

From this date forward, signatures will accompany the budget upon its completions and approval in accordance with the Louisiana Revised Statutes of 1950 39 Chapter 9.

Cash and Revenues

Observation

When reviewing the authorized signatures on the checking account for the District, I observed there was only one person authorized to sign checks.

Recommendation

Having only one authorized signature on the checking account could create difficulties if this individual was incapacitated especially for an extended period of time.

Response

Previously, when we used a different lending institution, we had more than one individual authorized to sign checks on this account. When we changed banks we did not add an additional individual to the signature list. However, to assist in the operations of this District, an additional individual will be added to the authorized signature list with this lending institution.

Observation

When examining for proper cutoff of cash and revenues, it came to my attention revenues received and deposited in January 1998 were shown as outstanding on the December 1997 bank reconciliation and included within the revenues for the year ended December 31, 1997.

Recommendation

For each month and year-end, deposits should only be recorded in the period collected in order to establish a proper cutoff as well as assist in the balancing of deposits to batches monthly.

Response

For each of the months and years hereafter, deposits will only be recorded in the months received and/or deposited.

Observation

While performing procedures comparing batches recorded in the general journal to deposits, I observed a batch of August 19, 1997, was not recorded in the journal nor were the deposits posted to the taxpayers' accounts until October 6, 1997.

Recommendation

To eliminate any delays in posting the taxpayer deposits to their respective account, the postings received from Southwest Computer Bureau (SCB) batch should be compared to the deposits and batches of record indicated by the District on a daily basis.

Response

Because of this finding, we will balance each batch indicated by Southwest Computer Bureau to the deposits recorded daily.

Observation

When reviewing the journal and observing the numerical sequences of check numbers and batch numbers, several numbers were either missing or not recorded in their proper sequence.

Recommendation

Maintaining the sequences within the journal will assist in the maintaining control of the records in order to ascertain that all disbursements and batches are properly recorded.

Response

From this day forward, check numbers and batch numbers will be recorded numerically, accounting for any missing numbers indicating whether they are voided or included with another batch.

Observation

When performing my test of receipts, I observed batches that included postings to taxpayers' accounts that were made by SCB from information received from Hibernia. These deposits were made by taxpayers and placed in a drop box located at Hibernia. When Hibernia receives these payments, the payment voucher is sent to SCB and the check is mailed to the District without any backup of who paid their taxes. When SCB post these payments (sometimes months later), they are including them with batches posted by the District's personnel and not including them in a separate batch.

Recommendation

There are three recommendations I would like to make regarding the handling of these receipts, the first is to assign a separate batch number to these payments to assist in the reconciliation of payments and account balances by the District's personnel. The second is to have Hibernia make a copy of the receipt vouchers sent to SCB and accompany the check sent to the District received. The third is to have SCB attach a copy of the receipt voucher to the batch.

Response

During your examination, we have consulted with SCB on the first and second recommendation; in addition, we will request for SCB to attach the receipt voucher to the batch.

Observation

In reviewing the reports received from Southwest Computer Bureau (SCB), there are several recommendations I would like to make to either include totals on the present reports, and produce additional reports.

Recommendation

1. Presently, there is not a report indicating the billings of the service charge to the respective taxpayers. Upon completion of the billing from the assessor's roll, a record of each charge to each taxpayer should be produced for the records of the District.
2. When reviewing the batch reports of SCB, there were no month-to-date totals or year-to-date totals. These totals can assist the District accounting department to balance the amounts collected and posted to the respective taxpayer's account to the actual deposits.

Mr. Gerard C. Tarleton  
February 24, 1998  
Page 4

Response

We will contact SCB and make the above request.

The above observations and recommendations were developed from my previous experience of auditing the controls and records of similar entities. Only management can determine whether or not these recommendations can be effectively implemented.

I would like to express my appreciation to the personnel of the District's office for their assistance and cooperation in conjunction with the audit.

Very truly yours,



Michael K. Glover

MKG:sg