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EAST SIDE FIRE PROTECTION DISTRICT NO. 5  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
COMPONENT UNIT FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORTS  
YEAR ENDED DECEMBER 31, 1999

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. This 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 APR 19 2000

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# BURRIS, MCKEY & O'BRIEN

A Professional Corporation of Certified Public Accountants

Michael B. Burris  
Timothy P. McKey  
Sandra G. O'Brien



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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
East Side Fire Protection District No. 5  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of East Side Fire Protection District No. 5, a component unit of the City of Baton Rouge, as of December 31, 1999, and for the year then ended. These component unit financial statements are the responsibility of East Side Fire Protection District No. 5. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of East Side Fire Protection District No. 5, as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the District's financial statements as of December 31, 1998, reflected a misstatement of the previously reported General Fixed Asset Account Group and related Investment in Fixed Assets. Accordingly, the accompanying financial statements have been adjusted to reflect the correct amounts.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2000, on our consideration of East Side Fire Protection District No. 5's internal control structure and on its compliance with laws and regulations.

*Burris, McKey & O'Brien*  
March 29, 2000

**EASTSIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
Balance Sheet, December 31, 1999

	Account groups			Totals Memorandum Only
	General	General Fixed Assets	General Long-Term Debt	
<b>ASSETS AND OTHER DEBITS</b>				
Current Assets				
Cash and cash equivalents	\$77,228	\$0	\$0	\$77,228
Property taxes receivable - net of allowance of \$14,659	0	0	0	0
Due from other governments	256,084	0	0	256,084
	219,787	0	0	219,787
Fixed Assets				
Land	0	151,360	0	151,360
Buildings	0	1,505,609	0	1,505,609
Equipment, furniture and fixtures	0	1,097,402	0	1,097,402
Other Debits				
Amount to be provided for				
- retirement of long term debt, including lease obligations	0	0	1,162,978	1,162,978
- reserve for net pension obligation	0	0	1,907	1,907
- reserve for compensated absences	0	0	21,288	21,288
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$553,099</b>	<b>\$2,754,371</b>	<b>\$1,186,173</b>	<b>\$4,493,643</b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
Current Liabilities				
Accrued expenses and benefits payable	(\$40,794)	\$0	\$0	(\$40,794)
Long-Term Liabilities				
Revenue bonds payable	0	0	(834,000)	(834,000)
Compensated absences payable	0	0	(21,288)	(21,288)
Net pension obligation	0	0	(1,907)	(1,907)
Leases payable	0	0	(328,978)	(328,978)
Total Liabilities	(40,794)	0	(1,186,173)	(1,226,967)
Equity and Other Credits				
Investment in general fixed assets	0	(2,754,371)	0	(2,754,371)
Fund Balances:				
Undesignated	(512,306)	0	0	(512,306)
Current period				
Total equity and other credits	(512,306)	(2,754,371)	0	(3,266,676)
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>(\$553,099)</b>	<b>(\$2,754,371)</b>	<b>(\$1,186,173)</b>	<b>(\$4,493,643)</b>

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

**EASTSIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Total Governmental Fund Types Actual and Budget (Non-GAAP Basis)  
Year Ended December 31, 1999

	General Fund	Totals Memorandum Only	Totals for Budgets	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	(\$502,537)	(\$502,537)	(\$486,108)	\$16,429
Fire protection user charges	(173,944)	(173,944)	(175,000)	(1,056)
Intergovernmental revenue	(36,660)	(36,660)	(36,660)	0
Other	(30,741)	(30,741)	(30,591)	150
Interest earnings	(9,793)	(9,793)	(9,000)	793
Total revenues	(753,675)	(753,675)	(737,359)	16,316
<b>EXPENDITURES</b>				
Salaries and related benefits	286,417	286,417	278,233	(8,184)
Repairs and maintenance	55,571	55,571	56,995	1,424
Legal and professional	35,668	35,668	31,500	(4,168)
Insurance	20,492	20,492	19,126	(1,366)
Supplies	58,508	58,508	39,000	(19,508)
Utilities	25,410	25,410	22,300	(3,110)
Capital outlay	364,651	364,651	79,991	(284,660)
Debt service - Bond Principal	131,000	131,000	131,000	0
- Interest	65,043	65,043	66,500	1,457
Other	34,333	34,333	30,700	(3,633)
Total expenditures	1,077,092	1,077,092	755,345	(321,747)
<b>(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	323,418	323,418	17,986	(305,432)
<b>OTHER FINANCING (SOURCES)</b>				
Proceeds from notes and lease payable	(290,865)	(290,865)	0	290,865
Change in net pension obligation	1,435	1,435	0	(1,435)
Change for increase in compensated absences accrued	(17,714) 0	(17,714) 0	0 0	17,714 0
Total other financing sources	(307,143)	(307,143)	0	307,143
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	16,274	16,274	17,986	1,712
<b>FUND BALANCES, BEGINNING</b>	(528,580)	(528,580)	(528,580)	0
<b>FUND BALANCES, END OF YEAR</b>	(\$512,306)	(\$512,306)	(\$510,594)	(\$1,712)

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

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **FORMATION AND OPERATIONS**

East Side Fire Protection District No. 5 (the District) is a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana (the City-Parish). The District is governed by a five member board. The board members are appointed by the City-Parish Metropolitan Council and are not compensated. Effective January 1, 1994, the District became a separate operational unit acting independently from the City-Parish, pursuant to an intergovernmental agreement between the City-Parish and the District.

The purpose of the District is to provide fire protection for the citizens of the District. The district serves approximately 4,500 households and other business establishments. The District employs two permanent full-time employees and various other permanent and contract part-time employees. However, many of the District's services are still provided through volunteers.

B. **BASIS FOR PRESENTATION**

The accompanying financial statements of East Side Fire Protection District No. 5 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The *Governmental Accounting Standards Board (GASB)* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

C. **REPORTING ENTITY**

As the governing authority, for reporting purposes, the City-Parish is the primary financial reporting entity. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City-Parish for financial reporting purposes. The basic 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. Because the City-Parish Metropolitan Council appoints the District's governing body, and

- (1) has the ability to impose its will on the District, and
- (2) the District has the potential to provide specific financial benefits to, or impose specific financial burdens on, the City-Parish,

the District is determined to be a component unit of the City-Parish.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City-Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

D. **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. The General Fund is used to record all financial resources not required to be accounted for in other funds.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. 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. The operating statement presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the Governmental Funds. Revenues are recognized in the accounting period in which they become available and measurable.

Property taxes are considered measurable in the calendar year of the tax levy. User fees are considered measurable in the period they are collected. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). They are recorded at the time the transfer is made.

F. BUDGET

The 1999 budget was prepared in 1998 by the Chief, and ratified by the Board of Commissioners. A public hearing was held in December 1998, and the budget became effective January 1, 1999. Only one authorized amendment was made to the 1999 budget.

The budget for the District is prepared on the cash basis. Revenues and receipts are budgeted in the year receipt is expected, and expenditures and disbursements are budgeted in the year that the purchases are made. No budget distinction is made between the capital projects and general funds. Further, for financial statement presentation purposes, the governmental funds are combined and compared to the budget for variances.

G. ENCUMBRANCES

The District does not use an encumbrance system of accounting. The books are kept on the cash basis and the financial statements are prepared on the modified accrual basis of accounting.

H. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest-bearing demand deposits. The District considers short-term (maturity of 90 days or less), highly liquid investments as cash equivalents. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

I. FIXED ASSETS

Fixed assets are recorded as expenditures at the time of purchase, and the related assets are capitalized (reported) in the general fixed assets account group. Fixed assets donated are recorded at the estimated fair market value at the time the assets were donated. No depreciation has been provided on general fixed assets.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. COMPENSATED ABSENCES

The District's policy relating to sick leave includes recognizing sick leave at a rate of .02 hours for every hour worked for permanent part-time employees. No cash payment may be made for accumulated sick leave upon termination or separation of employment. Additionally, part time employees earn vacation time at a rate of .04 hours for every hour worked. Both full-time employees earn vacation at a rate of twelve hours per month, which equates to eighteen days per year. Additionally, the Chief accrues time off with pay for hours worked in excess of salaried pay (See Note 14).

K. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the long-term obligations account group.

L. FUND EQUITY

Fund balances consist of undesignated balances as well as the following:

- (1) Reserves: Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.
- (2) Designated Fund Balances: Designated fund balances represent tentative plans for future use of financial resources.

M. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. PRIOR PERIOD ADJUSTMENT

During 1999, the District became aware of the necessity for a prior period adjustment to the General Fixed Asset Account Group and related Investment in Fixed Assets for the year ended December 31, 1998. The adjustment was due to new procedures implemented for recording and tracking items considered capital purchases. The District completed the preparation of a detailed fixed asset listing of all items currently in use and with a cost of \$500 or more. However, items totaling approximately \$144,368 were deemed to be either junked, disposed of, given to charity, or expendable in nature and never should have been capitalized. This adjustment represents an accumulation of such items over a period of years since the District's inception. For the year ended December 31, 1999, the adjustment has been made effective December 31, 1998 (See Note 6).



**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

3. **CASH AND CASH EQUIVALENTS**

At December 31, 1999, the District had cash and cash equivalents (book balances) as follows:

Certificate of deposit	\$ 60,374
Interest-bearing demand deposits	<u>16,854</u>
Total	<u>\$ 77,228</u>

These deposits are stated at cost, which approximate market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1999, the District had deposits (collected bank balances) secured from risk by \$100,000 of federal deposit insurance and \$350,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

4. **INVESTMENTS**

The District does not have any investments other than the cash deposits shown in the financial statements under cash and cash equivalents.

5. **PROPERTY TAXES RECEIVABLE**

The following is a summary of property taxes receivable at December 31, 1999:

Property taxes receivable	\$ 270,743
Less: allowance for uncollectible accounts	<u>( 14,659)</u>
Net property taxes receivable	<u>\$ 256,084</u>

The allowance represents taxes not expected to be collected within the next year.

6. **CHANGES IN GENERAL FIXED ASSETS**

As discussed more fully in Note 2, the General Fixed Asset Account Group and the related Investment in Fixed Assets has been restated as of December 31, 1998 to reflect a correction.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

6. CHANGES IN GENERAL FIXED ASSETS - continued

	Buildings Furniture, & Equipment	Land	Total
<u>Balance at 12/31/98,</u> <u>As Originally Reported</u>	\$2,382,729	\$151,360	\$2,534,089
Removal of disposed or expendable item costs	<u>( 144,368)</u>	<u>-0-</u>	<u>( 144,368)</u>
<u>Balance at 12/31/98,</u> <u>As Restated</u>	2,238,361	151,360	2,389,721
Additions - 1999	<u>364,650</u>	<u>-0-</u>	<u>364,650</u>
<u>Balance at 12/31/99</u>	<u>\$ 2,603,011</u>	<u>\$ 151,360</u>	<u>\$2,754,371</u>

7. RETIREMENT PLAN AND NET PENSION OBLIGATION

The District's two full-time employees are eligible for participation in the Employees' Retirement System of the City-Parish. Contributions in the amount of \$13,433 were made on their behalf during 1999.

Annually, the East Baton Rouge City-Parish Employees System engages an actuary to determine the "Net Pension Obligation" (NPO) as of January 1 of each year. Governmental Accounting Standards Board Statement Number 27, *Accounting for Pensions by State and Local Governmental Employers* requires the NPO to be disclosed in the General Long-Term Debt Account Group for governmental fund types. The NPO is defined as the difference between actual retirement contributions and the actuarially required contributions.

As of January 1, 1999, the District had a NPO of \$2,107. The change in the NPO for the year ended December 31, 1999 is estimated to be a reduction of approximately \$200 based on historical trends of 1997 and 1998.

8. COMPENSATED ABSENCES

At December 31, 1999, employees of the District have accumulated and vested \$21,288 of compensated absences, which were computed in accordance with GASB Codification Section C60. This amount is recorded within the General Long-Term Debt Account Group (See Note 14).

9. LEASE OBLIGATIONS

On April, 1999, the District entered into a lease purchase for a new fire engine and apparatus. The cost of the asset and enhancements was \$303,000, to be repaid in five annual installments of principal and interest totaling \$59,553.21. The imputed interest rate was calculated to be approximately 4.7%. The total lease obligation is included in the General Long-Term Debt Account Group.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

9. LEASE OBLIGATIONS - continued

In May 1998, the District entered into a lease purchase for a new multi-purpose automotive vehicle. The cost of the asset and enhancements was \$38,113, to be repaid in three annual installments of principal and interest totaling \$13,895.35. The imputed interest rate was calculated to be approximately 4.5%. The total lease obligation is included in the General Long-Term Debt Account Group.

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

In 1994, the District issued a long-term certificate of indebtedness to a local bank in the amount of \$800,000, payable over a 10-year period at rates ranging from 3.75% to 6.00% to acquire facilities and equipment for the District's fire protection purposes. The certificate is secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary, and usual charges in each of the fiscal years during which the certificate is outstanding.

In 1998, the District issued a long-term certificate of indebtedness to a local bank in the amount of \$420,000, payable over a six year period at a stated rate of 5.43% to construct a training facility and equipment for the District's fire protection purposes. The certificate is secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary, and usual charges in each of the fiscal years during which the certificate is outstanding.

The following is a summary of the long-term obligation transactions during the year:

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Bond Debt</u>	<u>Totals</u>
<u>Balance at December 31, 1998</u>	\$ 3,574	\$ 38,113	\$965,000	\$1,006,687
Additions	17,714	303,000	-0-	320,714
Deductions/repayments	<u>-0-</u>	<u>( 12,135)</u>	<u>(131,000)</u>	<u>( 143,135)</u>
<u>Balance at December 31, 1999</u>	<u>\$ 21,288</u>	<u>\$ 328,978</u>	<u>\$834,000</u>	<u>\$ 1,184,266</u>

The annual requirements to amortize all long-term obligations outstanding at December 31, 1999, including interest are as follows:

<u>Year Ending</u>	<u>Bond Issue \$800M</u>	<u>Bond Issue \$420M</u>	<u>Two Lease Obligations</u>	<u>Total</u>
2000	\$ 99,576	\$83,494	\$73,449	\$ 256,519
2001	100,426	84,018	73,449	257,893
2002	98,858	84,326	59,553	242,737
2003	99,458	83,417	59,553	242,428
2004	169,070	84,344	59,553	312,967
2005	<u>-0-</u>	<u>-0-</u>	<u>59,653</u>	<u>59,653</u>
	<u>\$ 567,388</u>	<u>\$ 419,599</u>	<u>\$385,210</u>	<u>\$1,372,197</u>

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**CITY OF BATON ROUGE**  
**PARISH OF EAST BATON ROUGE, LOUISIANA**  
**Notes to the Financial Statements**  
**Year Ended December 31, 1999**

11. RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year ended December 31, 1999.

12. LITIGATION AND CLAIMS

During 1999, the District was named in a legal action filed by an ex-volunteer alleging negligence by the District relative to an alleged injury sustained in April 1998. The District's insurance carrier and attorney have been notified of the complaint. As of this report date, no further events have occurred.

13. VALUE OF CONTRIBUTED SERVICES

The District relies heavily on the contributed services of volunteer firefighters and support staff. During 1999, there were responses to 1,137 fire and emergency medical services (EMS) calls. Volunteer hours for training, firefighting, and administrative duties totaled approximately 20,475 at an estimated value of approximately \$231,370, which is not included in the accompanying financial statements.

14. CONTINGENCIES

Under current Civil Service regulations, each full time employee is technically allowed one year of compensated sick pay in the event of a long term illness or injury not due to gross negligence or willful intent to harm themselves. Under this policy, the District could be liable for additional compensated absences for its two civil service classified employees in the total amount of \$73,483. However, no cash payment may be made for unused sick pay upon termination or separation of employment.

# BURRIS, McKEY & O'BRIEN

A Professional Corporation of Certified Public Accountants

Michael B. Burris  
Timothy P. McKey  
Sandra G. O'Brien

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



The CPA. Never Underestimate The Value.®

Board of Commissioners  
East Side Fire Protection District No. 5  
Baton Rouge, Louisiana

We have audited the component unit financial statements of East Side Fire Protection District No. 5 as of and for the year ended December 31, 1999, and have issued our report thereon dated March 29, 2000. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments."

#### Compliance

As part of obtaining reasonable assurance about whether East Side Fire Protection District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Side Fire Protection District No. 5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as Item I-1 on page 12.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described on page 12 is a material weakness.

This report is intended solely for the use of management, the City-Parish of East Baton Rouge, and the Legislative Auditor of the State of Louisiana and is not intended to be used, nor should be used, by anyone other than the specified parties.

*Burris, McKey & O'Brien*

March 29, 2000

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5**  
**BATON ROUGE, LOUISIANA**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 1999**  
**(See Auditors' Report)**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

I-1. Criteria: Proper internal controls require that procedures be in place to account for additions to and removals from the District's fixed assets listing.

Condition: In previous years, the District has not maintained an adequate fixed assets listing. Consequently, items that were added or removed from the General Fixed Asset Account Group were not tracked in a detail list. In an effort to correct the problem, the District personnel prepared a detail fixed assets listing of all items currently in use and with an original cost of \$500 or more. As of December 31, 1998, there was a difference between the total on the fixed assets listing and the amount reflected on the financial statements.

Effect: The fixed assets have not been adequately identified for safeguarding against unauthorized disposal or replacement loss for insurance purposes, and the above condition would not be detected in a timely manner during the regular course of business. An adjustment to the financial statements of \$144,368 was necessary to bring the the financial statements in agreement with the subsidiary report.

Recommendation: We recommend that, henceforth, the administrative staff continue to update and monitor all fixed asset items and the related listing, and reconcile all additions and removals to amounts recorded in the general ledger. Any difference should be researched, identified and resolved each quarter. Further, copies of invoices for new items should be maintained in a file with the detail listing. Dispositions should be approved by the Board of Commissioners and recorded formally in the minutes.

Management Response: In 1998, management implemented a system to track equipment purchases and disposals of all major items. Management realizes the difference referred to above is a culmination of multiple years' deficient fixed assets tracking. Most of the differences were items given to other volunteer fire departments unless they were deemed worthless and thrown away. Other differences identified were items which were expendable in nature and probably should not have been capitalized. In the future, such items will be classified as supplies. All other capital items or disposals will added to or removed from the asset list as appropriate.