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CENTRAL FIRE PROTECTION DISTRICT NO.4
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S 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. 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 APR 12 2000 ✓

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A Professional Accounting Corporation
11940 Bricksome Avenue, Suite C
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INDEPENDENT AUDITOR'S REPORT


Board of Commissioners
Central Fire Protection District No. 4
Baton Rouge, Louisiana

I have audited the accompanying general purpose financial statements of the Central Fire Protection District No. 4, a component unit of the City of Baton Rouge/Parish of East Baton Rouge as of December 31, 1999, and for the year then ended. These component unit financial statements are the responsibility of the Central Fire Protection District No. 4 management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Central Fire Protection District No. 4, as of December 31, 1999 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 2, 2000 on my consideration of Central Fire Protection District No. 4's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.


March 2, 2000

CENTRAL FIRE PROTECTION DISTRICT NO 4
CITY OF EAST BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet December 31, 1999

	GOVERNMENTAL			Totals (Memorandum Only)
	FUND TYPE	ACCOUNT GROUPS		
	General Fund	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS				
Assets:				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 191,298	\$ -0-	\$ -0-	\$ 191,298
Property taxes receivable - Net (Note 4)	310,896	-0-	-0-	310,896
Due from other governments (Note 4)	101,778	-0-	-0-	101,778
User charges receivable - Net (Note 4)	89,742	-0-	-0-	89,742
Other receivables and prepaid amounts	578	-0-	-0-	578
Fixed Assets				
Land and buildings	-0-	1,003,824	-0-	1,003,824
Equipment	-0-	1,250,385	-0-	1,250,385
Equipment under capital leases	-0-	437,604	-0-	437,604
Other Debits:				
Amount to be provided for retirement of long term debt	-0-	-0-	462,410	462,410
TOTAL ASSETS AND OTHER DEBITS	\$ 694,292	\$ 2,691,813	\$ 462,410	\$ 3,848,515
LIABILITIES, EQUITY, AND OTHER CREDITS				
Current Liabilities:				
Accounts payable	\$ 8,313	\$ -0-	\$ -0-	\$ 8,313
Accrued expenses and benefits payable	17,421	-0-	-0-	17,421
Long-term Liabilities:				
Net Pension Obligation (Note 10)	-0-	-0-	17,600	17,600
Compensated absences payable (Note 10)	-0-	-0-	54,706	54,706
Obligation under capital leases (Note 10)	-0-	-0-	390,104	390,104
Total Liabilities	<u>25,734</u>	<u>0</u>	<u>462,410</u>	<u>488,144</u>
Equity and other credits:				
Investment in general fixed assets	-0-	2,691,813	-0-	2,691,813
Fund Balances:				
Unreserved				
Undesignated	668,558	-0-	-0-	668,558
Total equity and other credits	<u>668,558</u>	<u>2,691,813</u>	<u>0</u>	<u>3,360,371</u>
TOTAL LIABILITY, EQUITY, AND OTHER CREDITS	\$ 694,292	\$ 2,691,813	\$ 462,410	\$ 3,848,515

CENTRAL FIRE PROTECTION DISTRICT NO. 4
CITY OF EAST BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended December 31, 1999

	<u>General</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
REVENUES		
Ad valorem taxes	\$ 409,863	\$ 409,863
Fire protection user charges	304,937	304,937
Intergovernmental revenues	231,403	231,403
Interest earnings	13,260	13,260
Other	10,787	10,787
Total revenues	<u>970,250</u>	<u>970,250</u>
EXPENDITURES		
Salaries and related benefits	457,039	457,039
Repairs and maintenance	44,954	44,954
Legal and professional	14,260	14,260
Rentals - fire hydrants	15,433	15,433
Insurance	33,128	33,128
Supplies	81,209	81,209
Utilities	21,860	21,860
Capital outlay	37,312	37,312
Debt service	2,472	2,472
Other	56,340	56,340
Total expenditures	<u>764,007</u>	<u>764,007</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>206,243</u>	<u>206,243</u>
OTHER FINANCING SOURCES		
Proceeds from capital lease	390,104	390,104
Proceeds from sale of general fixed assets	3,330	3,330
Trade in of asset	47,500	47,500
Total other financing sources	<u>440,934</u>	<u>440,934</u>
OTHER FINANCING USES		
Acquisition of assets through capital lease	437,603	437,603
Principal retirement on capital lease	86,055	86,055
Total other financing uses	<u>523,658</u>	<u>523,658</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	123,519	123,519
FUND BALANCES BEGINNING OF YEAR	545,039	545,039
FUND BALANCES AT END OF YEAR	<u>\$ 668,558</u> =====	<u>\$ 668,558</u> =====

CENTRAL FIRE PROTECTION DISTRICT NO 4
CITY OF EAST BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget
(Non-GAAP Basis) and Actual - General Fund
Year ended December 31, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Ad valorem taxes	\$ 388,000	\$ 409,863	\$ 21,863
Fire protection user charge	285,000	304,937	19,937
Intergovernmental revenues	210,197	231,403	21,206
Interest earnings	4,400	13,260	8,860
Other	3,400	10,787	7,387
Total revenues	<u>887,597</u>	<u>970,250</u>	<u>79,253</u>
EXPENDITURES			
Salaries and related benefits	482,500	457,039	25,461
Repairs and maintenance	42,000	44,954	(2,954)
Legal and Professional	18,500	14,260	4,240
Rentals - fire hydrants	16,000	15,433	567
Insurance	33,000	33,128	(128)
Supplies	85,500	81,209	4,291
Utilities	24,500	21,860	2,640
Capital outlay	35,997	37,312	(1,315)
Debt service	2,472	2,472	0
Other	51,000	56,340	(5,340)
Total expenditures	<u>791,469</u>	<u>764,007</u>	<u>27,462</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>96,128</u>	<u>206,243</u>	<u>106,715</u>
OTHER FINANCING SOURCES			
Proceeds from Capital Lease	-0-	390,104	390,104
Proceeds from sale of general fixed assets	-0-	3,330	3,330
Trade in of asset	-0-	47,500	47,500
Total other financing sources	<u>0</u>	<u>440,934</u>	<u>440,934</u>
OTHER FINANCING USES			
Acquisition of Assets through Capital Lease		437,603	(437,603)
Principal retirement on capital lease	87,528	86,055	1,473
Total other financing uses	<u>87,528</u>	<u>523,658</u>	<u>(436,130)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	8,600	123,519	114,919 out of balance
FUND BALANCES BEGINNING OF YEAR	\$ 479,364	\$ 545,039	\$ 65,675
FUND BALANCES AT END OF YEAR	<u>\$ 487,964</u> =====	<u>\$ 668,558</u> =====	<u>\$ 180,594</u> =====

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

Notes to the Financial Statements
For the Year Ended December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FORMATION AND OPERATIONS

Central Fire Protection District No. 4 is a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana (the City/Parish). A five-member board governs the District. The board members are appointed by the City/Parish and are not compensated.

Pursuant to an intergovernmental agreement, between the City/Parish and the District, effective January 1, 1996 the District became a separate operational unit acting independently from the City/Parish. Prior to January 1, 1996 the District operated within the City/Parish system.

The purpose of the District is to provide Fire Protection for the citizens of the District. The District serves approximately 32,300 individuals. The District employs approximately eight permanent full-time employees and twelve – fifteen permanent part-time employees. It also employs temporary employees as needed. A substantial portion of the services is provided through volunteers. No value is attributed to the volunteer services in the accompanying financial statements.

B. BASIS FOR PRESENTATION

The accompanying financial statements of the Central Fire Protection District No. 4 as of December 31, 1999 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 of Baton Rouge/Parish of East Baton Rouge (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 was 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 general 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 results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions and activities.

The General Fund is the principal fund of the District and is used to record all financial resources not required to be accounted for in a capital projects fund.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Capital Projects Fund is used to account for financial resources retained and used for the purpose of building and equipping a new fire station. There were no capital projects in process during 1999.

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 as net current assets.

Property taxes and user charges are considered measurable in the calendar year of the tax levy and user charge assessment. 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 budget was prepared and approved by the board in 1998. There were two amendments to the 1999 budget. The Board of Commissioners approved the amendments in May and December of 1999.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance presents comparisons of the legally adopted budget with actual data. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1999 is presented below:

	<u>General Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 12,000
Adjustments:	
To adjust revenues for accruals	
Property taxes	28,614
User charges	7,987
To adjust expenditures for accruals	
Salaries	11,411
State officials' retirement	(849)
Budgeted Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 59,163</u>

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

Notes to the Financial Statements
For the Year Ended December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, interest-bearing demand deposits and time deposit accounts. 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 time of purchase, and the related assets are capitalized (reported) in the general fixed asset group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. No depreciation has been provided on general fixed assets. Assets over \$500 are capitalized.

The District does not own any infrastructure assets.

J. COMPENSATED ABSENCES

The District's policies relating to vacation and sick leave and "comp. time" is summarized as follows: Annual leave is determined by the number of years of service and accrues each pay period. Accrued annual leave is carried over from year to year up to a maximum of 1,800 hours for employees "grandfathered" under the policy which was in effect at December 31, 1998. During 1998, the Board of Commissioners approved a policy that would allow employees hired after implementation to carry over a maximum of 72 hours.

In some cases employees can earn "comp. time" in lieu of overtime. For each hour worked over the scheduled hours, the employee earns 1½ hours of "comp. time". No cash payment is made for unused sick time.

K. LONG-TERM OBLIGATIONS

Long-term obligations, including compensated absences, net pension obligation and capital leases, expected to be financed from governmental funds, are reported in the general long-term debt 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. There were no reserved amounts at December 31, 1999.

(2) Designated Fund Balances: Designated fund balances represent tentative plans for future use of financial resources. There were no designated amounts at December 31, 1999.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. CASH AND CASH EQUIVALENTS

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

Certificates of deposit	\$110,378
Interest bearing demand deposits	<u>80,920</u>
 Total	 <u>\$ 191,298</u>

These deposits are stated at cost, which approximate market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). 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 \$209,983 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and approximately \$350,000 of pledged securities held by the trust department 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 trust department of the fiscal agent 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.

3. INVESTMENTS

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

4. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

The following is a summary of receivables at December 31, 1999:

	Property Taxes	User Charges	Due from Other Governments
Amounts receivable	\$331,496	\$179,542	\$101,778
Less estimated uncollectible amounts	<u>(20,600)</u>	<u>(89,800)</u>	<u>-</u>
Net property tax receivable	<u>\$310,896</u>	<u>\$ 89,742</u>	<u>\$101,778</u>

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

Due from other governments consists of property taxes collected by the sheriff's office, but not yet remitted to the district.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

5. CHANGES IN GENERAL FIXED ASSETS

	Equipment Under Capital				
	Lease	Equipment	Land	Buildings	Totals
<u>Balance at December 31, 1998</u>	\$651,847	\$710,050	\$165,018	\$844,806	\$2,371,721
Additions	437,604	37,312	-0-	-0-	474,916
Payout of Capital Lease	(651,847)	651,847	-0-	-0-	-
Disposals	<u>-0-</u>	<u>(148,824)</u>	<u>(6,000)</u>	<u>-0-</u>	<u>(154,824)</u>
<u>Balance at December 31, 1999</u>	<u>\$ 437,604</u>	<u>\$1,250,385</u>	<u>\$159,018</u>	<u>\$844,806</u>	<u>\$2,691,813</u>

6. COMPENSATED ABSENCES

At December 31, 1999 employees of the District have accumulated and vested \$ 54,706 of vacation benefits and "comp. time", which was computed in accordance with GASB Codification Section C60. This amount is recorded within the general long-term debt account group.

7. PROPERTY TAX REVENUES

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. By agreement, the Sheriff is also the tax collector for City property taxes for which he receives a commission of 4.5% of total taxes collected for the City. December tax collections remitted to the District by the Sheriff in January are reported as "Due from other governmental units".

The 1999 property tax calendar is as follows:

Levy date	December 9, 1998
Millage rates adopted	December 9, 1998
Tax Notices Sent	December 1, 1999
Due date	December 31, 1999
Lien date	January 1, 2000

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, they bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required to sell a portion or all of the property to settle the taxes and interest owed. Therefore, virtually all of the taxes are collected by year-end, and no delinquent amounts are recorded.

An allowance for uncollectible taxes is deducted from the gross taxes assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data is not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expect to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered available because they are substantially collected within 60 days subsequent to year-end.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

8. USER CHARGES

The District is empowered to assess a user charge of \$32 for each residential and commercial structure in the District. In years prior to 1996 user charges were considered measurable when collected because the District had no authority by which to enforce collection. During 1996, the District obtained the authority to assess liens on property for which the charges have not been paid. In April 1996, a levy was placed on all properties for which the user charges had not been paid from the inception of the charges in 1992. Accordingly service charges are now considered measurable in the calendar year of the assessment. Also, the entire assessment less an estimate for uncollectible service charges is recorded as revenue in the current year. All of the net service charges receivable at the end of the year is considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period.

9. LEASES

The District maintains some trucks under capital lease as an asset and obligation in the accompanying financial statements. The obligations for these leases are recorded in the General Long Term Debt Account Group. The following is a summary of future minimum lease payments under these leases:

2000	\$ 67,117
2001	67,117
2002	67,117
2003	67,117
2004	67,117
Thereafter	<u>134,334</u>
	469,919
Less: Amount representing interest	<u>(79,815)</u>
Present value of net minimum lease payments	<u>\$390,104</u>

The required payments on the capital lease obligation scheduled for 2000 on this lease total \$67,117. The interest portion and lease obligation portion of this payment is \$2,081 and \$65,036, respectively

The District also has an operating lease on the building that houses one of the fire stations. The lease expires February 1, 2005. It also has a long-term lease on office equipment. The expenditures for these leases are recorded in the general fund. The following is a summary of the minimum lease payments under these leases:

2000	9,067
2001	8,539
2002	8,400
2003	8,400
2004	<u>8,400</u>
	<u>\$42,806</u>

The district also rents various pieces of equipment on an as needed basis. The expenditures for the operating leases during 1999 were \$10,799.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	<u>Compensated Absences</u>	<u>Net Pension Obligation</u>	<u>Capital Leases</u>	<u>Totals</u>
Balance at December 31, 1998	\$ 51,966	\$ 25,300	\$ 86,055	\$ 163,321
Adjustment of net pension obligation		(7,700)		(7,700)
Increase in compensated absences - 1999	2,740	-	-	2,740
Principal reduction on capital leases			(86,055)	(86,055)
Principal addition of capital leases - 1999	-	-	<u>390,104</u>	<u>390,104</u>
Balance at December 31, 1999	<u>\$ 54,706</u>	<u>\$ 17,600</u>	<u>\$ 390,104</u>	<u>\$ 462,410</u>

11. LITIGATIONS AND CLAIMS

The District is involved as a defendant in a personal injury lawsuit. The District intends to defend itself vigorously and does not expect to incur any loss due to the suit.

12. PENSION PLAN

Employees' Retirement System of the City of Baton Rouge

The District, as well as covered employees, makes contributions to the Employees' Retirement System of the City of Baton Rouge, and the Parish of East Baton Rouge (Retirement System). This is a defined-benefit agent multiple-employer pension plan that provides retirement benefits for all full-time employees of the District, as well as the City-Parish, the East Baton Rouge Recreation and Parks Commission, East Baton Rouge Parish Family Court Judicial Expense Fund, East Baton Rouge Parish Juvenile Court Judicial Expense Fund, and other East Baton Rouge Fire Protection Districts.

The Retirement System is reported as a blended component unit of the City-Parish as defined by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Pension Trust by the primary government.

The Board of Trustees of the Retirement System was created by the City of Baton Rouge and the Parish of East Baton Rouge Plan of Government to administer the assets of the system, and is composed of seven members.

Four of the trustees are members of the Retirement System, two are selected from non-police and fire department employees, and one trustee each is selected from the Police and Fire Departments. The remaining membership of the board consists of the Director of Finance, and two persons with business and accounting experience, appointed by the metropolitan Council. All administrative expenses of the Retirement System are paid from funds of the system, and the board issues its own financial statements on an annual basis. The financial report may be obtained by writing to:

Horace Elkins
Retirement Administrator
Employees' Retirement System
City of Baton Rouge, Parish of East Baton Rouge
P. O. Box 1471
Baton Rouge, Louisiana 70821-1471

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

Notes to the Financial Statements
For the Year Ended December 31, 1999

12. PENSION PLAN (Continued)

Prior to 1999, any person who became a regular full-time employee of the District became a member of the Retirement System as a condition of employment. Those employees have remained participants in this plan. The ordinance in effect at December 31, 1996 states that an employee's benefit rights vest after the employee has been a member of the Retirement System for twelve years. Ordinance 10779 adopted in December 1996, and effective April 1997 amended this to read that the benefits right vest after the employee has been a member of the Retirement System for ten years. Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. Full retirement benefits are granted with twenty-five years service, regardless of age while minimum eligibility benefits are granted at age 55 with ten years of service, or twenty years of service, regardless of age. Full retirement benefits are defined as 3% of average compensation times the number of years of service while minimum eligibility benefits are defined as 2.5% of average compensation times the number of years of service. Average compensation is determined by the highest average compensation in thirty-six consecutive months. Benefits paid to employees shall not exceed 90% of average compensation. Benefits are reduced by 3% for each year below age 55, if not eligible for full retirement. The plan was last amended effective January 1, 1998 (Ordinances No. 11019 and 11020).

Funding Policy Under the current plan, both employee and employer contributions are made to fund the system. Employees make a mandatory contribution of 9.5% of gross earnings while the 1999 employer contribution rate was 16.13% of active payroll.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.00% per year in 1998 and 1997, compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases based on seniority and merit, and (d) no post-retirement benefit increases. During 1995, the Retirement System implemented GASB 25. During 1998 the District implemented GASB 27.

On the December 31, 1998 financial statements of the Retirement System, the pension benefit obligation, determined through an actuarial valuation performed on January 1, 1999, was approximately \$818 million. The system's net assets (market value) available for benefits on that date was \$763 million, leaving an unfunded pension benefit obligation of \$55 million. The District's 1998 contribution represented less than 1% of total contributions required of all participating entities. For the year ended December 31, 1998, the total annual required and actual employer contributions were \$17,967,514 and \$19,245,205 respectively. The percentage contributed was 107%. The calculation of annual required contribution consists of \$6,568,507 of "normal cost" and \$11,399,007 of "amortization payment." For the year ended December 31, 1999, the annual required contribution is \$15,658,856 of which the "normal cost" is \$6,696,856 and the "amortization payment" is \$8,962,000.

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

**Notes to the Financial Statements
For the Year Ended December 31, 1999**

12. PENSION PLAN (Continued)

Additional information regarding the actuarial valuation is as follows:

Valuation Method:	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability
Asset Valuation Method:	Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (losses) recognized each year
Amortization Method:	Increasing 4% per year for first 15 years and level percent for the next 15 years
Remaining Amortization Period:	26 years

GASB 25 allows maximum acceptable amortization of the total unfunded actuarial liability over a period of 40 years. The System has approved a plan whereby the unfunded total actuarial liability is expected to be fully funded at the end of 30 years.

During 1999, the District contributed \$33,210 and the employees contributed \$19,559 on payroll of approximately \$205,887. Total Payroll for all employees totaled \$324,743 in addition to \$18,770 in state supplemental pay.

Two years of information regarding the funding progress is included in the separately issued December 31, 1999 financial statements of the Retirement System. A copy of this report may be obtained from the Retirement System. The District does not guarantee the benefits granted by the System. The District had no employees retire during 1999. There is no one entitled to receive benefits that are not yet receiving them.

The most current actuarial report, as of December 31, 1998, calculated the district's portion of the net pension obligation (NPO) of the plan to be approximately \$19,110. An decrease in the NPO was recorded in the long term debt account group during 1999, bringing the total NPO recorded at December 31, 1999 to \$17,600.

Three-Year Trend Information for the District

Fiscal <u>Year</u>	Annual <u>Pension Cost</u>	Actual <u>Contribution</u>	Increase (Decrease) <u>in NPO</u>
1996	34,905	29,880	5,025
1997	38,232	34,335	3,897
1998	35,666	37,851	(2,185)

The annual pension costs for 1998 consists of the following components:

Actuarially Recommended Contributions (ARC)	\$35,338
Interest on Net Pension Obligation	1,703
Adjustments to ARC	<u>(1,375)</u>
Annual Pension Costs	<u>\$35,666</u>

Central Fire Protection District No. 4
City of Baton Rouge
Parish of East Baton Rouge

Notes to the Financial Statements
For the Year Ended December 31, 1999

12. PENSION PLAN (Continued)

Firefighters' Retirement System Pension Plan

Plan Description. The District also contributes to the Firefighters' Retirement System Pension Plan (Plan), a cost-sharing, multiple-employer, defined benefit pension plan. Any person who became a regular full time employee of the District after 1998 became a member of this system. The retirement system was placed under the management of a board of trustees. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Firefighters' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This information may be obtained by writing to:

Firefighters' Retirement System
P.O. Box 94095, Capital Station
Baton Rouge, LA 70804-9095

Funding Policy. Plan members are required to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. The District's contributions to the Plan for the year ending December 31, 1999 were \$3,743.

13. DEFERRED COMPENSATION PLAN

The department has a deferred compensation plan established under Internal Revenue Code section 457. The plan covers substantially all employees. Participants elect to defer a portion of their salaries and there are no contributions made by the District. The amounts deferred from the employees' salaries are subject to the claims of general creditors of the District until the amounts are remitted to the administrator of the plan. The administrators of the plan determine the uses of the plan assets, including the payment of benefits. The district has no additional fiduciary responsibility. Employee deferrals in 1999 totaled \$394.

14. SUPPLEMENTAL SALARIES

During the year the full time employees received additional pay in the amount of \$18,770 from the State of Louisiana. This amount was recorded in revenue as intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.

15. RELATED PARTY TRANSACTIONS

The minute clerk for the District's Board is the daughter-in-law of a Board member. While the Board member serves without compensation, the minute clerk received \$200 during the course of the year for her services.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Central Fire Protection District No. 4
Baton Rouge, Louisiana

I have audited the accompanying component unit financial statements of the Central Fire Protection District No. 4, as of and for the year ended December 31, 1999 and have issued my report thereon dated March 2, 2000.

I have 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 Central Fire Protection District No. 4's component unit financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below:

I. Related Party Transaction

The minute clerk for the District's Board is the daughter-in-law of a Board member. While the Board serves without compensation, the minute clerk received \$200 during the course of the year for her services.

Management Response:

The District has sent a letter to the Ethics board requesting a ruling on this issue. The District intends to comply fully with any directives received from that board.

II. Proper Timesheets

We noted one instance in which an employee was paid one half-hour more than the number of hours on his timesheet.

Management Response:

We determined the employee's timesheet was in error. In the future, when such errors are noted, we will return the timesheet to the employee for correction, or a correction will be noted on the timesheet by the employee's supervisor.

Summary of Prior Year Findings

I. Prior Year Finding

The preparer did not sign the budget message. Also the District failed to certify the completion of the public hearing by publishing a notice after completion of the public participation.

Current Year Status

I noted that the preparer signed the budget message for the 2000 budget. Further I noted that the notice after completion was published for the 1999 budget.

II. Prior Year Finding

The District did not perform a complete physical inventory of general fixed assets. However a complete inventory was conducted after year-end.

Current Year Status

An inventory was performed of general fixed assets before December 31, 1999.

III. Prior Year Finding

The District purchased life saving equipment with a value exceeding \$7,500. After consideration of the value of the equipment traded in, the invoiced amount was below \$7,500. No telephone quotes were obtained.

Current Year Status

We noted no equipment purchases in the current year which required telephone quotes. We noted other purchases for which bids were required, and were obtained.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component financial statements. Reportable conditions are described below:

Organizational Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

During 1999 some incompatible duties previously routinely performed by one person were transferred to other staff members.

Management Response: Management is reviewing the options to ensure that the risk of diversion of funds is kept to a minimum without incurring inordinate cost.

Board of Commissioners
Central Fire Protection District No. 4
Baton Rouge, Louisiana

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit 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. My 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, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, the Board of Commissioners and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Karen Johnson CPA APAC

March 2, 2000