

**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
For the Year Ended December 31, 2003**

THOMAS, WILSON, RAGUSA, UFFMAN & CO.

**CERTIFIED PUBLIC ACCOUNTANTS
BATON ROUGE, LOUISIANA**

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the East Side Fire Protection District No. 5's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the district for the fiscal year ended December 31, 2003. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the transmittal letter which precedes Management's Discussion and Analysis.

Financial Highlights

- The District's assets exceeded its liabilities by \$2,028,650 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$ 2,013,278.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$1,282,690 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Unrestricted net assets of \$745,960 represent the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental funds reported total ending fund balance of \$798,308 this year. This compares to the prior year ending fund balance of \$559,012 showing an increase of \$239,296 during the current year.
- At the end of the current year, unreserved fund balance for the District was \$745,960, or 64% of total District expenditures including transfers and 78% of total District revenues.
- Total liabilities of the District increased by \$129,917 to \$856,758 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the District's statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities and functions on revenues provided by the District's taxpayers.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the District. These statements and schedules demonstrate compliance with the District's adopted budget.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at year-end are \$2,028,650. This is a \$15,372 increase over last year's net assets of \$2,013,278. The following table provides a summary of the District's net assets:

Summary of Net Assets (Government Wide)

	<u>2003</u>	<u>2002</u>	<u>Amount Change</u>	<u>% Change</u>
Current and other assets	\$ 900,729	\$ 659,976	\$ 240,753	36.48
Capital assets	2,830,117	2,802,051	28,066	1.00
Accumulated depreciation	<u>(845,438)</u>	<u>(721,908)</u>	<u>(123,530)</u>	17.11
Total assets	<u>2,885,408</u>	<u>2,740,119</u>	<u>145,289</u>	5.30
Current liabilities	61,845	24,116	37,729	156.45
Long-term liabilities	<u>794,913</u>	<u>702,725</u>	<u>92,188</u>	13.12
Total liabilities	<u>856,758</u>	<u>726,841</u>	<u>129,917</u>	17.87
Net assets:				
Invested in capital assets, Net of related debt	1,282,690	1,437,916	(155,226)	(10.80)
Unrestricted	<u>745,960</u>	<u>575,362</u>	<u>170,598</u>	29.65
Total net assets	<u>\$ 2,028,650</u>	<u>\$ 2,013,278</u>	<u>\$ 15,372</u>	.76

The District reported positive balances in net assets. The District's overall financial position improved during fiscal year 2003.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets:

Summary of Changes in Net Assets (Governmental Funds)

	<u>2003</u>	<u>2002</u>	<u>Amount Change</u>	<u>% Change</u>
Revenues:				
Ad valorem taxes	\$ 628,797	\$ 568,162	\$ 60,635	10.67
Inter-governmental revenues	40,231	32,740	7,491	22.88
Fire protection user charges	218,626	223,753	(5,127)	(2.29)
Interest	968	3,063	(2,095)	(68.40)
Miscellaneous	55,093	58,760	(3,667)	(6.24)
Supplemental Pay – State of LA Funded	<u>7,200</u>	<u>0</u>	<u>7,200</u>	100.00
Total Revenues	<u>950,915</u>	<u>886,478</u>	<u>64,437</u>	7.27
Expenses:				
Public safety	715,527	573,913	141,614	24.68
Debt service	418,026	258,576	159,450	61.66
Capital expenditures	<u>28,066</u>	<u>22,476</u>	<u>5,590</u>	24.87
Total Expenditures	1,161,619	854,965	306,654	35.87
Other Financing Sources:				
Bond Issue Proceeds	<u>450,000</u>	<u>0</u>	<u>450,000</u>	100.00
Increase in net assets	239,296	31,513	207,783	659.36
Beginning net assets	<u>559,012</u>	<u>527,499</u>	<u>31,513</u>	5.97
Ending net assets	<u>\$ 798,308</u>	<u>\$ 559,012</u>	<u>\$ 239,296</u>	42.81

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2003 was approximately \$861,000. This was an increase of \$21,000 over the previous year budget. The General Fund budget complied with financial policies approved by the District's Board of Commissioners.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2003 and 2002, was \$1,984,679 and \$2,080,143, respectively. The total decrease in this net investment was 4.81%.

Capital Assets Net of Accumulated Depreciation

	<u>Totals</u>		<u>Total %</u>
	<u>2003</u>	<u>2002</u>	<u>Change</u>
Non-Depreciable Assets:			
Land	\$ 151,360	\$ 151,360	0
Depreciable Assets:			
Buildings	1,522,429	1,505,609	1.12
Equipment	715,715	681,993	4.94
Equipment under capital lease	<u>440,613</u>	<u>440,613</u>	0
Total	<u>\$ 2,830,117</u>	<u>\$ 2,779,575</u>	1.82

Long-Term Debt

At the end of the year, the District had total bonded debt outstanding of \$530,000. At the end of the year, the District had total debt relating to capital leases of \$171,989.

Economic Environment and Next Year's Budgets and Rates

The general outlook for the District's economy for the next year is for minimal growth.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Chief S. Dale Hancock, East Side Fire Protection District No. 5, 15094 Old Hammond Highway, Baton Rouge, Louisiana 70816.

THOMAS, WILSON, RAGUSA, UFFMAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2003, and for the year then ended, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America. 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, 2003, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a reported dated March 23, 2004, on our consideration of East Side Fire Protection District No. 5's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Thomas, Wilson, Ragusa, Uffman & Co CPA

Certified Public Accountants
March 23, 2004

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

STATEMENT OF NET ASSETS
December 31, 2003

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 286,722
Property Taxes Receivable, Net of Uncollectible Allowance	67,119
Due From Other Governments	545,794
Due From Brenda Catalanatto	1,094

CAPITAL ASSETS:

Land	151,360
Buildings	1,522,429
Equipment	715,715
Equipment Under Capital Leases	440,613
Accumulated Depreciation	<u>(845,438)</u>

TOTAL ASSETS **\$ 2,885,408**

LIABILITIES

CURRENT LIABILITIES:

Accrued Expenses	\$ 61,845
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LONG-TERM LIABILITIES:

Obligations Under Capital Leases	171,989
Bonds Payable	530,000
Compensated Absences Payable	74,235
Net Pension Obligation	<u>18,689</u>

TOTAL LIABILITIES **856,758**

NET ASSETS:

Investment in Capital Assets, Net of Related Debt	1,282,690
Unrestricted	<u>745,960</u>

TOTAL NET ASSETS **2,028,650**

TOTAL LIABILITIES AND NET ASSETS **\$ 2,885,408**

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

STATEMENT OF ACTIVITIES
Year Ended December 31, 2003

FUNCTION/PROGRAM:	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenues (Expenses)</u>
Governmental Activities:			
Public Safety	\$ 899,271	\$ 281,211	\$ (618,060)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 899,271</u>	<u>\$ 281,211</u>	<u>\$ (618,060)</u>
General Revenues:			
Taxes:			
Property			\$ 592,524
Grants and Contributions not Restricted to Specific Programs			32,740
State Supplemental Pay			7,200
Investment Earnings			<u>968</u>
Total General Revenues and Transfers			<u>633,432</u>
Change in Net Assets			15,372
Net Assets -- Beginning			<u>2,013,278</u>
Net Assets -- Ending			<u>\$ 2,028,650</u>

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
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2003

ASSETS:

Cash and Cash Equivalents	\$ 286,722
Accounts Receivable (Net)	26,543
Other Receivable	1,094
Due From Other Governments	<u>545,794</u>

TOTAL ASSETS \$ 860,153

LIABILITIES:

Accrued Expenses and Benefits Payable	\$ 61,845
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FUND BALANCE:

Unrestricted	<u>798,308</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 860,153

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
ACTUAL AND BUDGET (NON-GAAP) BASIS
Year Ended December 31, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES:			
Ad Valorem Taxes	\$ 628,797	\$ 566,146	\$ 62,651
Intergovernmental Revenues	40,231	40,826	(595)
Fire Protection User Charges	218,626	210,000	8,626
Interest	968	1,200	(232)
Miscellaneous Revenues	55,093	42,740	12,353
Supplemental Pay – State of LA Funded	<u>7,200</u>	<u>0</u>	<u>7,200</u>
TOTAL REVENUES	<u>950,915</u>	<u>860,912</u>	<u>90,003</u>
EXPENDITURES:			
Current:			
Public Safety	715,527	646,811	(68,716)
Debt Service	418,026	387,623	(30,403)
Capital Expenditures	<u>28,066</u>	<u>70,000</u>	<u>41,934</u>
TOTAL EXPENDITURES	<u>1,161,619</u>	<u>1,104,434</u>	<u>(57,185)</u>
Excess (Deficiency) of Revenues Over Expenditures	(210,704)	(243,522)	32,818
OTHER FINANCING SOURCES:			
Bond Issue Proceeds	<u>450,000</u>	<u>450,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	239,296	206,478	32,818
FUND BALANCES, BEGINNING OF YEAR	<u>559,012</u>	<u>559,012</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 798,308</u>	<u>\$ 765,490</u>	<u>\$ 32,818</u>

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

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2003

Fund Balances – Total Governmental Funds \$ 798,308

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.

Governmental Capital Funds	\$ 2,830,117	
Less: Accumulated Depreciation	<u>(845,438)</u>	1,984,679

Some property tax revenues were collected more than sixty days after year-end and therefore are not available soon enough to pay for current period expenditures. 40,576

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds Payable	(530,000)	
Obligations Under Capital Leases	(171,989)	
Compensated Absences	(74,235)	
Net Pension Obligation	<u>(18,689)</u>	<u>(794,913)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,028,650

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2003

Net Change in Fund Balance – Total Governmental Funds \$ 239,296

Amounts reported for governmental activities in the statement
of activities are different because:

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

Capital Outlay	28,066	
Depreciation Expense	<u>(123,530)</u>	(95,464)

Because some revenues will not be collected for several months after
year-end, they are not considered "available" revenues in the
governmental funds. 40,576

Because some revenues from prior year were not collected until after 60
days into the current year, they were not consider available" revenues in
last year's governmental funds and have been included in current year's
revenues in governmental funds. (76,848)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds.
Neither transaction, however, has any effect on the net assets. 390,238

Some expenses reported in the statement of activities, such as compensated
absences, do not require the use of current financial resources and,
therefore, are not reported as expenditures in governmental funds. (18,737)

Some expenses reported in the statement of activities, such as net pension
obligation, do not require the use of current financial resources and,
therefore, are not reported as expenditures in governmental funds. (13,689)

Some capital additions, operating costs and debt service were financed
through a bond issue. In governmental funds, a bond issue is considered
a source of financing but in the statement of net assets, the bond payable
obligation is reported as a liability. (450,000)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 15,372

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 FINANCIAL STATEMENTS
Year Ended December 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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). A five-member board governs the District. 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 5,000 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.

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.

Financial 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, then, 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.

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.

Government-Wide Accounting – In accordance with Governmental Accounting Standards Board Statement (GASB) No. 34, the District has presented a Statement of Net Assets and a Statement of Activities. These statements include only the activities and assets of the District. Government-wide accounting is designed to provide a more comprehensive view of the government unit's operations and financial position as a single economic entity.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 2
Year Ended December 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Accounting (continued) – Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental funds. Business activities are financed in whole or part through fees charged for goods or services to the general public and is usually reported in proprietary funds. The District only has governmental-type activities.

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.

Policies specific to government-wide statements are as follows:

1. Inter-fund receivables and payables are eliminated in the Statement of Net Assets, except for the residual amounts due between governmental and business type activities.
2. Reporting on governmental-type activities is based on Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.
3. Tangible and/or intangible assets used in operations with an estimated useful life that extends beyond one year are capitalized. Such assets are recorded at their historical costs and are depreciated using the straight-line method of depreciation over their estimated useful lives.
4. The Statement of Activities presents two categories of program revenues – a) charges for services; and b) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use, or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use.

Budget – The 2004 budget was prepared in 2003 by the Chief, and ratified by the Board of Commissioners. A public hearing was held in November 2003, and the budget became effective January 1, 2004. 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.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 3
Year Ended December 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Fixed Assets and Depreciation – Fixed assets are recorded as expenditures at the time of purchase, and the related assets are capitalized (reported) in the Statement of Net Assets. Fixed assets donated are recorded at the estimated fair market value at the time the assets were donated.

In June 1999, GASB No. 34 was issued requiring the inclusion and depreciation of the District's infrastructure, retroactive to 1982 if applicable. Such assets have been depreciated using the straight-line method over their estimated useful lives from date of acquisition as follows:

	<u>Approximate Life in Years</u>
Buildings	50
Equipment	5-10
Vehicles	5-10
Equipment under capital leases	"life" of lease

The financial statement amounts for accumulated depreciation as of the year December 31, 2000 have been restated to reflect compliance with this GASB requirement.

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.

Long-Term Obligations – Long-term obligations expected to be financed from governmental funds are reported in the Statement of Net Assets.

Net Assets/Fund Balance – In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The two components of net assets are as follows:

1. **Invested in Capital Assets, Net of Related Debt** – records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds or other borrowing (lease obligations) attributable to the acquisition, construction, or improvement of capital assets.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 4
Year Ended December 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Balance (continued)

2. **Unrestricted Net Assets** – represent net assets not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2003, the District had cash and cash equivalents (book balances) as follows:

Interest-bearing demand deposits	<u>\$ 286,722</u>
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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, 2003, the District had deposits (collected bank balances) secured from risk by \$100,000 of federal deposit insurance and over \$921,000 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.

NOTE 3: INVESTMENTS

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

NOTE 4: PROPERTY TAXES

Property taxes are assessed and collected by the East Baton Rouge Assessor's Office and Sheriff's Office. The following is a summary of property taxes receivable at December 31, 2003:

Property taxes receivable	\$ 79,627
Less: allowance for uncollectible accounts	<u>(12,508)</u>
Net property taxes receivable	<u>\$ 67,119</u>

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

Due from other governments of \$545,794 represents property taxes collected by the East Baton Rouge Assessor's office and Sheriff's office but not remitted to the District as of December 31, 2003.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 5
Year Ended December 31, 2003

NOTE 5: CHANGES IN FIXED ASSETS

Following is a summary of the changes in fixed assets for the year December 31, 2003:

	Buildings Furniture & Equipment	Land	Less: Accumulated Depreciation	Total, Net
<u>Balance at 12/31/02</u>	\$ 2,650,691	\$ 151,360	\$ (721,908)	\$ 2,080,143
Disposals – 2003	0	0	0	0
Additions – 2003	<u>28,066</u>	<u>0</u>	<u>(123,530)</u>	<u>(95,464)</u>
<u>Balance at 12/31/03</u>	<u>\$ 2,678,757</u>	<u>\$ 151,360</u>	<u>\$ (845,438)</u>	<u>\$ 1,984,679</u>

NOTE 6: RETIREMENT PLAN AND NET PENSION OBLIGATION

The District's two full-time employees are eligible for participation in the Employees' Retirement System of the required City-Parish. The District's contributions for 2003 were 16.66% of the covered employees' wages. Contributions in the amount of \$18,507 were made on their behalf during 2003.

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 Statement of Net Assets for governmental fund types. The NPO is defined as the difference between actual retirement contributions and the actuarially required contributions.

The calculated NPO as of December 31, 2003 was \$18,689. This was an increase of \$13,689.

NOTE 7: COMPENSATED ABSENCES

At December 31, 2003, employees of the District have accumulated and vested \$74,235 of compensated absences, which were computed in accordance with GASB Codification Section C60.

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS

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.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 6
Year Ended December 31, 2003

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS (Continued)

In 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%.

In November 2001, the District entered into a lease purchase for a new fire engine vehicle. The cost of the asset and enhancements was \$99,500, to be repaid in 60 monthly installments of principal and interest totaling \$1,865. The imputed interest rate was calculated to be approximately 4.8%.

In 2003, the District issued a long-term certificate of indebtedness to a local bank in the amount of \$450,000, payable over a five year period at a stated rate of 2.3% in the first year, increasing gradually to 4% in year five, to make improvements to facilities, purchased equipment and refinanced old bonds payable 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 and balances during the year:

	Compensated Absences	Capital Leases	Bond Debt	Totals
<u>Balance at 12/31/02</u>	\$ 55,498	\$ 242,727	\$ 399,500	\$ 697,725
Additions	18,737	0	450,000	468,737
Deductions/repayments	<u>0</u>	<u>(70,738)</u>	<u>(319,500)</u>	<u>(390,238)</u>
<u>Balance at 12/31/03</u>	<u>\$ 74,235</u>	<u>\$ 171,989</u>	<u>\$ 530,000</u>	<u>\$ 776,224</u>

The annual requirements to amortize all long-term obligations outstanding at December 31, 2003, including interest are as follows:

<u>Year Ending</u>	<u>Bond Issue \$450M</u>	<u>Bond Issue \$420M</u>	<u>Two Lease Obligations</u>	<u>Total</u>
2004	\$ 56,407	\$ 84,344	\$ 81,933	\$ 222,684
2005	111,800	0	81,933	193,733
2006	110,800	0	20,515	131,315
2007	107,800	0	0	107,800
2008	104,000	0	0	104,000
	<u>\$ 490,807</u>	<u>\$ 84,344</u>	<u>\$ 184,381</u>	<u>\$ 759,532</u>

During 2003, interest expense paid totaled \$27,788.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS - 7
Year Ended December 31, 2003

NOTE 9: RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year ended December 31, 2003.

NOTE 10: 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.

NOTE 11: VALUE OF CONTRIBUTED SERVICES

The District relies heavily on the contributed services of volunteer firefighters and support staff. During 2003, there were responses to approximately 1,240 fire and emergency medical services (EMS) calls. Volunteer hours for training, firefighting, and administrative duties totaled approximately 21,050 at an estimated value of approximately \$231,550, which is not included in the accompanying financial statements.

NOTE 12: 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 \$91,020. However, no cash payment may be made for unused sick pay upon termination or separation of employment.

NOTE 13: SUPPLEMENTAL PAY

The statement of activities reflects income and program expenses of \$7,200 for supplemental pay from the State of Louisiana paid directly to the covered employees.

THOMAS, WILSON, RAGUSA, UFFMAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**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**

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, 2003, and have issued our report thereon dated March 23, 2004. We conducted our 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

Thomas, Wilson, Ragusa, Uffman & Co CPA
Certified Public Accountants
March 23, 2004