

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, 1996

(1) **Reserves:** Reserves represent those portions of fixed equity not appropriate for expenditures 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 "Monocolumn Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a municipality.

2. CASH AND CASH EQUIVALENTS

At December 31, 1996, the District has cash and cash equivalents (bank balances) as follows:

Certificates of deposit	\$ 30,629
Interest bearing demand deposits	184,387
Total	\$215,016

These deposits are stated at cost, which approximates 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, 1996, the District has \$170,565 in deposits collateralized bank balances. These deposits are secured from-risk by \$100,000 of federal deposit insurance and \$70,565 of pledged securities held by the trust department of the fiscal agent bank (HAMB Company S).

Even though the pledged securities are classified nonaffiliated (category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 28:1229 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. PROPERTY TAX AND OTHER CHARGES RECEIVABLE

The following is a summary of receivables at December 31, 1996:

	Property Taxes	Other Charges
Accounts receivable	\$103,193	\$141,575
Less uncollected uncollectible amounts	(28,879)	(71,890)
Net property tax receivable	\$74,314	\$69,685

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LEGISLATIVE COUNCIL

FEDERAL FIRE PROTECTION DISTRICT NO. 4
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
COMPONENT UNIT 1 (PHYSICAL PLANTWORKS
AND INFRASTRUCTURE MAINTENANCE)
YEAR ENDED DECEMBER 31, 1986

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or approved, 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.

STATE OF LOUISIANA
LEGISLATIVE COUNCIL

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Karen R. Dugas

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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 component unit financial statements of the Central Fire Protection District No. 4 as of December 31, 1996, and for the year then ended. These component unit financial statements are the responsibility of the Central Fire Protection District No. 4. 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. These 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, 1996 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 22, 1997 on my consideration of Central Fire Protection District No. 4's internal control structure and a report dated March 22, 1997 on its compliance with laws and regulations.



March 22, 1997

Karen R. Dugas, C.P.A.
A Professional Accounting Corporation

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

Balance Sheet December 31, 1998

	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS		Total (Enclosed in Box)
	General Fund	Capital Projects	General Fund Assets	General Long Term Fund	
ASSETS AND OTHER DEBITS					
Assets					
Current Assets					
Cash and Cash equivalents (Note 2)	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Property Taxes receivable - Net (Note 4)	206,520	-	-	-	206,520
Due from other governments	145,000	-	-	-	145,000
Accr charges receivable - Net (Note 4)	70,000	-	-	-	70,000
Accrued interest receivable	50	-	-	-	50
Fixed Assets					
Land and buildings	-	-	804,834	-	804,834
Equipment	-	-	131,440	-	131,440
Equipment under lease terms	-	-	480,847	-	480,847
Other Debits					
Amounts due provided for retirement of long term debt	-	-	-	204,134	204,134
TOTAL ASSETS AND OTHER DEBITS	\$ 561,570	\$ -	\$ 1,317,121	\$ 204,134	\$ 2,082,825
LIABILITIES, EQUITY, AND OTHER CREDITS					
Current liabilities					
Accounts and contracts payable	\$ 57,853	\$ -	\$ -	\$ -	\$ 57,853
Accrued expenses and benefits payable	14,876	-	-	-	14,876
Long-term liabilities:					
Compensated absences payable (Note 10)	-	-	-	30,000	30,000
Obligations under repurchase agreements (Note 10)	-	-	-	173,134	173,134
Total liabilities	<u>72,729</u>	<u>-</u>	<u>-</u>	<u>203,134</u>	<u>275,863</u>
Equity and other credits:					
Reserve for general fund assets	-	-	2,882,627	-	2,882,627
Fund Balances:					
Unassigned	0	0	0	0	0
Designated for capital outlay	600,000	0	0	0	600,000
Undesignated	258,497	0	0	0	258,497
Total equity and other credits	<u>858,497</u>	<u>-</u>	<u>2,882,627</u>	<u>-</u>	<u>3,741,124</u>
TOTAL LIABILITY, EQUITY, AND OTHER CREDITS	\$ 931,126	\$ -	\$ 2,882,627	\$ 204,134	\$ 3,017,887

**CENTRAL FIRE PROTECTION DISTRICT NO. 4
CITY OF EAST BAYTON POLICE
PARISH OF EAST BAYTON POLICE, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS**

**Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended December 31, 1990**

REVENUES	General Fund	Capital Projects	Total (Memo entries Only)
Ad valorem taxes	\$ 202,700	0	\$ 202,700
Fire protection user charges	370,864		370,864
Intergovernmental revenues	240,000		240,000
Other	3,000		3,000
Interest earnings	0,500		0,500
Total revenues	<u>817,064</u>	<u>0</u>	<u>817,064</u>
EXPENDITURES			
Salaries and related benefits	340,004		340,004
Repairs and maintenance	20,073		20,073
Legal and Professional	20,183		20,183
Fuels - fire hydrants	14,000		14,000
Insurance	22,000		22,000
Supplies	04,540		04,540
Utilities	23,000		23,000
Capital outlay	00,400	180,000	240,500
Traffic services	13,250		13,250
Other	18,000		18,000
Total expenditures	<u>618,000</u>	<u>180,000</u>	<u>808,100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	271,750	(180,000)	101,600
OTHER FINANCING SOURCES			
Operating transfers in (out)		100,000	100,000
Proceeds from sale of general bond award	330		330
Change for increase in compensated absences accrued	0,134		0,134
Total other financing sources	<u>0,464</u>	<u>100,000</u>	<u>100,434</u>
OTHER FINANCING USES			
Principal retirement on capital lease	113,800		113,800
Operating transfers out (net)	180,000		180,000
Total other financing uses	<u>293,800</u>	<u>0</u>	<u>293,800</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	71,280	0	71,280
FUND BALANCES BEGINNING OF YEAR	0	0	0
FUND BALANCES TRANSFERRED IN (NOTE 12)	428,344	0	428,344
PRICE PERIOD ADJUSTMENTS (NOTE 13)	(8,000)		(8,000)
FUND BALANCES AT END OF YEAR	\$ 508,607	\$ 0	\$ 508,607
	*****	*****	*****

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

SCHEDULE C

**Statement of Financial Expenditures,
and Changes in Fund Balance - Budget
(GRAPHIC/EAAP Fund) and Actual - General Fund
Year ended December 31, 1999**

	Budget	Actual	Balance Forward (Anticipated)
REVENUE			
Admission fees	\$ 501,348	\$ 551,900	\$ 40,000
Fire protectionable charge	140,000	178,000	138,000
Intergovernmental revenues	248,388	248,019	(38)
Other	1,258	5,158	2,148
Interest earnings	17,100	8,881	(2,548)
Total revenues	807,094	892,958	85,022
EXPENDITURES			
Salaries and related benefits	248,878	248,004	5,788
Supplies and maintenance	23,000	26,811	(3,811)
Legal and Professional	15,000	18,180	3,180
Utilities - fire systems	14,000	14,833	833
Insurance	30,000	32,656	2,656
Supplies	69,750	84,241	14,491
Utilities	21,000	23,603	2,603
Capital outlay	1,000	68,496	(67,496)
Debt service	13,250	13,250	0
Other	28,382	18,838	9,544
Total expenditures	649,258	699,581	(50,324)
FUND DEFICIENCY OF REVENUES OVER EXPENDITURES	257,836	271,766	135,346
OTHER FINANCING SOURCES			
Operating transfers in (out)			
Proceeds from sale of general fund asset		385	385
Change for increase in compensated absences accrued		8,134	8,134
Total other financing sources	0	8,519	8,519
OTHER FINANCING USES			
Intergovernmental capital issue	123,741	112,888	8,853
Operating transfers out (net)	288,000	188,888	199,134
Total other financing uses	411,741	301,776	207,987
FUND DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(253,905)	(29,010)	(72,641)
FUND BALANCES BEGINNING OF YEAR	\$ 0	\$ 0	\$ 0
FUND BALANCES TRANSFERRED IN (NOTE 1C)		428,344	428,344
FROM PERIOD ADJUSTMENTS (NOTE 1D)		(8,880)	(8,880)
FUND BALANCES AT END OF YEAR	\$ (253,905)	\$ (29,010)	\$ (72,641)

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

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**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, 1996**

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). The District is governed by a five member board. 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 10,170 individuals. The District employs eight permanent full-time employees and six permanent part-time employees. It also employs temporary employees as needed. A substantial portion of the services are provided through volunteers.

B. BASIS FOR PRESENTATION

The accompanying financial statements of the Central Fire Protection District No. 4 as of December 31, 1996, 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 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 its past 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 in order to track 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 the 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, 1996**

expenditures and other uses of financial resources (GAAP basis)

LIABILITIES

C. INCURRANCES

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

D. 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.

E. FIXED ASSETS

Fixed assets are recorded as expenditures at time of purchase, and the related assets are capitalized (properly 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.

The District does not own any infrastructure assets.

F. COMPENSATED ABSENCE

The District's policy 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 1800 hours. If an employee terminates, he will be paid for the hours he was scheduled to work during the calendar days covered by the accumulated leave hours. In some cases employees can earn "comp time" in lieu of overtime. For each hour worked over the schedule hours, the employee earns 1 1/2 hours of "comp time". No cash payment is made for accrued sick time.

As December 31, 1996, employees of the District had accumulated and vested \$18,000 in annual leave and "comp time".

G. LONG-TERM DEBT

Long-term obligations, including compensated absences and capital leases, expected to be financed from governmental funds are reported in the general long-term debt accounts group.

H. FUND BALANCE

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

**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, 1996**

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

5. CHANGES IN GENERAL FIXED ASSETS

	Equipment Under Capital				Totals
	Lease	Equipment	Land	Buildings	
Balance at inception...	-	-	-	-	-
Transfer in from the City Parish (See Note 10)	\$506,175	\$408,085	\$ 90,000	\$506,150	\$1,694,390
Assets previously owned but not recorded (See Note 10)	(25,120)	355,489	115,000	-	550,000
Additions	-	34,759	-	199,666	234,425
Disposals	-	(1,213,871)	-	-	(1,213,871)
Balance at December 31, 1996	\$481,055	\$794,463	\$185,000	\$695,816	\$2,066,315

6. COMPENSATED ABSENCES

At December 31, 1996 employees of the District have accumulated and vested \$ 50,899 of vacation benefits and "sick time", which was compared in accordance with GASB Codification Section 650. 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 33:1431, 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 1996 property tax calendar is as follows:

Levy date	December 1, 1995
Millage rates adopted	July 24, 1996
Tax Notice first	November 29, 1996
Due date	December 31, 1996
First date	January 1, 1997

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

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, 1996

subsequent year end 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 expected 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.

4. USER CHARGES

The District is empowered to assess a user charge of \$20 for each residential and commercial structure in the District. In prior years 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 fines 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 are 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.

5. LEASES

The District maintains several pieces of equipment under capital lease as an asset and obligation in the accompanying financial statements. The obligation for this lease, which expires in 1999, is recorded in the General Long-Term Debt Account Group. The following is a summary of future minimum lease payments under this lease:

1997	\$40,250
1998	60,250
1999	20,500
	121,000
Less: Amount representing interest	(11,800)
Present value of net minimum lease payments	\$109,200

The District also has an operating lease on the building which houses one of the fire stations. The expenditures for this lease are recorded in the general fund. The following is a summary of the minimum lease payments under this lease:

1997	\$ 6,400
1998	6,400
1999	6,400
2000	6,400
2001	6,400
	\$32,000

The expenditures for the operating lease on the building for 1996 was \$6,400.

Separation of duties

Criteria:	Proper internal controls require that one employee not be able to control all phases of a transaction.
Condition:	I noted that certain employees of the District perform certain incompatible duties regarding the receipt and recording of funds on behalf of the District.
Effect:	These employees could divert funds belonging to the District. The present system would not cause the diversion to be identified in a timely manner in the regular course of business.
Recommendation:	I recommend that the duties of receiving funds be fully segregated from the duties of adjusting receivable and general ledger balances and recording the receipt of funds.
Management Response:	Management is reviewing the options to ensure that the risk of diversion of funds is kept to a minimum without incurring excessive cost.

Proper recording of transactions:

Criteria:	All transactions should be entered in the general ledger. Further, transactions should be coded in the general ledger in a manner consistent with the substance of the transaction, and in the proper period.
Condition:	I noted several instances in which transactions were coded to inappropriate or incorrect general ledger accounts. I also noted some transactions which were not recorded in the general ledger.
Effect:	Some amounts could be mistakenly obtained if these misreadings were not identified and if transactions are omitted from the general ledger.
Recommendation:	I recommend that an employee independent of the input process, review transactions periodically for posting to proper general ledger accounts. Further, I recommend that the District consult with a professional accountant to ensure proper posting of all transactions.
Management Response:	We are in agreement with this recommendation and plan to implement it immediately.

Lack of documentation for expenditures:

Criteria:	Documentation of all expenditures should be maintained.
Condition:	In my testing of operating expenditures I noted two expenditures for which there was no supporting documentation on file. Further, I noted that one employee has not been required to submit time sheets documenting the time worked.
Effect:	Without adequate documentation of expenditures, the District cannot demonstrate its compliance with laws and regulations concerning expenditures.
Recommendation:	I recommend the District obtain documentation for the specific expenditures referenced, and insure that such documentation is obtained for future expenditures as is required by the District's policies. Further, I recommend that the employee be required to submit time sheets documenting her time worked.

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MANAGEMENT LETTER

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

I have audited the component and financial statements of Central Fire Protection District No.4, as of and for the year ended December 31, 1998 and have issued my report dated March 22, 1999 thereon.

I noted certain instances of non-compliance which I have the responsibility to bring to your attention. I believe none of these items are material to the financial statements and therefore have not been reported in the **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF COMPLIANCE WITH FINANCIAL STATEMENTS PERFORMED BY ACCOUNTANTS WITH CERTAIN GOVERNMENT ACCOUNTING STANDARDS.**

Wages not paid for an actual hours worked

I noted several instances in which the gross pay was computed on the scheduled basis rather than the actual hours worked by some employees.

Management has indicated this is because the individual employees agree among themselves to "bank time" and the District pays for the scheduled hours.

This may be in violation of state laws requiring that employees be paid only for hours worked. Further it may violate overtime laws which require that "time and a half" be paid for overtime hours worked.

I recommend that management consult with their attorney to determine if this is a violation of these or other laws. If this is a violation, I recommend that management cease the practice.

This letter is intended for the information of management, the board of commissioners and the legislative bodies of the State of Louisiana. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Karen E. Dugas
March 22, 1999

Karen E. Dugas, C.P.A.
A Professional Accounting Corporation

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
[SECTION ON AN ASPECT OF GOVERNMENT USE]
FINANCIAL STATEMENTS PREPARED BY ALLOWANCEE WITH
GOVERNMENT ASSISTANCE OR GRANTS**

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, 1996, and have issued my report thereon dated March 22, 1997.

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.

Compliance with laws, regulations, contracts and grants applicable to the Central Fire Protection District No. 4 is the responsibility of the Central Fire Protection District No. 4's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

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

I would advise material instances of noncompliance that I have reported to the management of Central Fire Protection District No. 4 in a separate letter dated March 22, 1997.

This report is intended for the information of management, the board of commissioners and the legislative bodies of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



March 22, 1997

Karen R. Dugas, C.P.A.
A Professional Accounting Corporation

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, 1996

The Capital Projects Fund is used to account for financial resources received and used for the purpose of building and equipping a new fire station. The construction contract was entered into during 1995 and the construction was substantially completed during 1996.

3. 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 or 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 payable. 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.

4. BUDGET

The budget was prepared in 1995 in anticipation of the Intergovernmental agreement. The budget was ratified by the Board of Commissioners during 1996. The format of the budget is such that the General Fund and Capital Projects Fund expenditures and resources are restricted. During 1996 certain amendments were made to the budget. These amendments were approved by the Board of Commissioners.

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 differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of such data, timing, perspective, and entry differences in the nature of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1996 is presented below:

General	Fund
(Deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (20,049)
Adjustments:	
To adjust revenues for accruals	
Property taxes	176,118
User charges	76,569
Interest	(1,589)
To adjust expenditures for accruals	
Salaries	(60,783)
State retirement	(11,891)
Source of revenues and other sources of financial resources over	

Management Response: We agree with the recommendations. We will obtain the appropriate documentation on all future expenditures, and will attempt to locate documentation for the specific expenditures cited. Also, we will require all employees to submit time sheets.

Lack of reconciliation procedures.

Criteria: Proper internal control procedures require that subsidiary records be reconciled to control totals timely.

Condition: I noted that the payroll bank account had not been reconciled to the general ledger, nor to the manual register maintained. Further, I noted that the fixed assets detail records had not been updated and reconciled to the general ledger accounts.

Recommendation: I recommend that the payroll account, as well as all other bank accounts, be reconciled to the general ledger monthly. Further, I recommend that the fixed assets detail records be reconciled at least quarterly to the general ledger accounts.

Management Response: We agree with this recommendation, and have already implemented the payroll bank account reconciliations. We will implement the fixed assets reconciliations after the first calendar quarter in 1997.

Documentation of Board Oversight.

Criteria: Close oversight of the District's operations by the Board of Commissioners can contribute to an atmosphere of control.

Condition: I noted that two bank accounts were closed and others opened during the year. The Board of Commissioners minutes did not mention that these actions had been reported and approved.

Effect: The lack of documentation of the approval of such events may not allow the Board to demonstrate procedures already in place to oversee the actions of the management of the District.

Recommendation: I recommend that the Board of Commissioners approve, in advance when possible, all major financial transactions and decisions, and that this approval be documented in the minutes of the monthly meetings.

Management Response: We agree with the recommendation and will implement it immediately.

Lack of written documentation of policies and procedures.

Criteria: Policies and procedures should be in writing to facilitate training of personnel as well as enforcement of policies.

Condition: Many of the policies and procedures in effect have not been reduced to writing. I noted the following policies and procedures which are not in writing: code of ethics, accounting policies and procedures, conflict of interest, procedure for approval of budget amendments, standards applicable for contract pay increases. There may be others not identified during my procedures.

Effect: Not having these procedures in writing may hamper management's efforts to apply policies and perform procedures consistently.

Karen E. Beggs, C.P.A.
A Professional Accounting Corporation

**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, 1996**

10. CHANGES IN GENERAL, LONG-TERM OBLIGATIONS

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

	Compensated Amounts	Capital Leases	Totals
Balance at inception	\$ -	\$ -	\$ -
Obligations transferred to from the City/Parish	14,436	281,130	295,566
Prior period adjustments (See Note 11)	7,178	-	7,178
Additions to compensated amounts - current year	9,334	-	9,334
Principal reduction of capital lease - current year	-	(113,895)	(113,895)
Balance as December 31, 1996	\$ 30,948	167,235	208,183

11. RELATED PARTY TRANSACTIONS

One of the members of the Board of Commissioners owns a water company from which the District rents fire hydrants. The total amount of rentals paid to this company during 1996 was \$ 408. There were no outstanding payables to this company at December 31, 1996.

12. LITIGATIONS AND CLAIMS

The District was not involved in any litigation nor is it aware of any claims outstanding.

13. FUND BALANCES TRANSFERRED AND PRIOR PERIOD ADJUSTMENTS

The fund balance transferred from the City/Parish was based on the financial statements as of December 31, 1995. However, certain transactions in previous years had been omitted from City/Parish financial statements as noted. These errors have resulted in prior period adjustments. The errors included the following:

1. Understatement of one cash account and overstatement of another.
2. Understatement of some receivables and understatement of another.
3. Some fund assets not recorded, and others misclassified.
4. Understatement of some liabilities.

The following is a summary of the fund balances transferred and the prior period adjustments made.

	General Fund	Account General	Special General
		Fixed Assets	Long-term Debt
Transferred to:			
Cash and cash equivalents	(\$28,213)	\$ -	\$ -
Receivables	305,660	-	-
Current fixed assets	-	1,694,248	-
Accounts payable	(126,071)	-	-

Karen R. Dugas

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF COMPONENTS OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH THE REQUIREMENTS OF SAS 105**

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, 1994 and have issued my report thereon dated March 22, 1995.

I have conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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.

The management of Central Fire Protection District No. 4, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, reliance and judgment by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that conditions may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the component unit financial statements of Central Fire Protection District No. 4 for the year ended December 31, 1994, I obtained an understanding of the internal control structure, with respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure, that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management on the component financial statements.

Karen R. Dugas, C.P.A.
A Professional Accounting Corporation

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

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Notes to the Financial Statements
For the Year Ended December 31, 1996

15. SUPPLEMENTAL SALARIES

During the year the full time employees received additional pay in the amount of \$22,133 from the State of Louisiana. This amount was recorded in revenue as an intergovernmental receipt. An offsetting expenditure was recorded in salaries and related benefits.

16. COMMITMENTS

At the end of 1996, the District entered into a contract in the amount of \$14,000 for renovations to the main fire station. The renovations began subsequent to year end and are scheduled to be completed by April 14, 1997.

17. SUBSEQUENT EVENTS

Subsequent to year end, the District entered into a capital lease in which they purchased a new fire engine. The lease is for a term of three years. The equipment cost and monthly payments are approximately \$140,000 and \$5,000 respectively.

The Board of Commissioners amended the previously approved 1997 budget changing the capital outlay for building from \$50,000 to \$148,000. Therefore, this amount is shown in the accompanying financial statements as a designated portion of unreserved fund balance in the general 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, 1995**

The Plan of Financing requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employer and employee contributions are made to properly fund the system. Employees make a voluntary contribution of 8% of gross earnings while the 1995 employer contribution rate was 18% of net-of-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 principal and future assets of 8.00% per year in 1990 and 1991, compounded annually, (b) projected salary increases of 3.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases based on years of service and age attributable to seniority and merit, and (d) no post-retirement benefit increases. The pension benefit obligation of the Retirement System is based on the standardized measurement established by GASB Statement No. 2 and is independent of the actuarial computations made to determine contributions to the system. During 1995, the Retirement System implemented GASB 23. The District has not implemented GASB 27.

On the December 31, 1995 financial statements of the Retirement System, the pension benefit obligation, determined through an actuarial valuation performed on January 1, 1996, was \$718 million. The system's net assets available for benefits on that date was \$211 million, leaving an unfunded pension benefit obligation of \$467 million. The District's 1995 contribution represented less than 1% of total contributions required of all participating entities. For the year ended December 31, 1995, the total amount required and actual employer contributions were \$17,845,814 and 14,133,688 respectively. The percentage contributed was 79.2%.

Additional information regarding the actuarial valuations is as follows:

Actuarial Cost Method:	Entry Age
Amortization Method:	Increasing 4% per year for first 15 years and level percent for the next 15 years.
Remaining Amortization Period:	29 years
Asset Valuation Method:	Revalued market value as of January 1, 1996. Adjusted market value with 20% of actuarial gains (losses) recognized in years thereafter.

GASB 23 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 1996, the District contributed \$20,880 and the employees contributed \$68,956 on payroll of \$211,591. Total Payroll for all employees totaled \$210,916.

Two years of information regarding the funding progress is included in the separately issued December 31, 1995 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 since during 1996. There is no one entitled to receive benefits who is not yet receiving them.

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, 1996

Obligation under capital lease	-	-	187,110
Compensated absences	<u>-</u>	<u>-</u>	<u>14,428</u>
	<u>\$188,444</u>	<u>\$1,495,248</u>	<u>\$10,300</u>
Non-Current Adjustments			
Cash and cash equivalents	\$ 11,760	-	-
Receivables	(7,000)	-	-
General fund assets	-	155,000	-
Accounts payable	(13,120)	-	-
Compensated Absences	<u>-</u>	<u>-</u>	<u>7,020</u>
 Adjusted fund balances transferred in:	 <u>\$10,110</u>	 <u>\$1,840,280</u>	 <u>\$10,420</u>

14. PENSION PLAN

The District, as well as several employees, make 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 Board of Trustees of the Retirement System was created by the City of Baton Rouge and the Parish of East Baton Rouge (the 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 or 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.

Any person who becomes a regular full-time employee of the District becomes a member of the Retirement System as a condition of employment. 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 10279 adopted in December 1996, and effective April 1997 amended this to read that the benefit 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 disability benefits. Full retirement benefits are granted with twenty-five years service, regardless of age while minimum disability 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 5% of average compensation times the number of years of service while minimum disability 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 5% for each year below age 55, if service is less than 25 years.

Recommendation: I recommend these items be reduced to writing. Further, I recommend that the appropriate personnel sign a statement that they have read and understood the conflict of interest policy and code of ethics.

Management Response: We agree with the recommendation and will implement it immediately.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level of risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information 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.

Kevin R. Dugas

March 21, 1997