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**EAST SIDE FIRE PROTECTION DISTRICT NO. 8
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORY REPORTS
YEAR ENDED DECEMBER 31, 1987**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 22 1988

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BURRIS, McKEY & O'BRIEN

A Professional Corporation of Certified Public Accountants

Michael B. Burris
Timothy F. McKay
Sandra G. O'Brien

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 City of Baton Rouge, as of December 31, 1997, and for the year then ended. These component unit financial statements are the responsibility of East Side Fire Protection District No. 5. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of East Side Fire Protection District No. 5, as of December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 11, 1998, on our consideration of East Side Fire Protection District No. 5's internal control structure and on its compliance with laws and regulations.

Burris, McKay & O'Brien
March 11, 1998

**EASTBAY FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS
Balance Sheet, December 31, 2002**

	GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS			Totals Memorandum Only
	General	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS				
Assets:				
Current Assets				
Cash and cash equivalents	\$112,348	\$0	\$0	\$112,348
Property taxes receivable - net of allowance of \$0,000	268,041	0	0	268,041
Due from other governments	86,678	0	0	86,678
Fixed Assets				
Land	0	181,380	0	181,380
Building	0	350,099	0	350,099
Equipment	0	768,040	0	768,040
Other Debits				
Amount to be provided for				
- retirement of long term debt and lease obligations	0	0	812,680	812,680
- reserve for compensated absences	0	0	2,591	2,591
TOTAL ASSETS AND OTHER DEBITS	\$405,266	\$1,300,499	\$815,271	\$2,320,716
LIABILITIES, EQUITY, AND OTHER CREDITS				
Current Liabilities				
Accounts and contracts payable	(\$12,573)	\$0	\$0	(\$12,573)
Accrued expenses and benefits payable	(11,985)	0	0	(11,985)
Long-Term Liabilities				
Reverse bonds payable	0	0	(\$12,508)	(\$12,508)
Compensated absences payable	0	0	(2,591)	(2,591)
Obligation under capital leases	0	0	0	0
Total Liabilities	(\$24,558)	0	(\$15,099)	\$39,647
Equity and Other Credits				
Investment in general fixed assets	0	(1,308,492)	0	(1,308,492)
Fund Balances:				
Undesignated	(380,890)	0	0	(380,890)
Total equity and other credits	(380,890)	(1,308,492)	0	(1,689,382)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	(\$405,266)	\$1,300,499	(\$815,271)	\$2,320,716

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

EASTSIDE FIRE PROTECTION DISTRICT NO. 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Actual and Budget
Year Ended December 31, 1997

	General Fund	Budget	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	(309,574)	(3078,000)	\$19,574
Fire protection user charges	(198,887)	(198,000)	18,887
Intergovernmental revenue	(28,880)	(28,880)	0
Other	(24,039)	(24,880)	(841)
Interest earnings	(18,125)	(8,000)	1,125
Total revenues	<u>(589,505)</u>	<u>(468,760)</u>	<u>35,052</u>
EXPENDITURES			
Salaries and related benefits	147,219	138,070	(13,048)
Repairs and maintenance	83,107	88,370	(5,127)
Legal and professional	23,389	20,780	(2,609)
Insurance	18,529	18,529	0
Supplies	41,952	43,780	2,048
Utilities	18,865	18,780	(295)
Capital outlay	78,341	78,341	0
Debt service - Bond Principal	65,000	65,000	0
-Capital Lease Principal	28,319	28,319	0
-Interest	29,047	37,183	(7,883)
Other	28,438	24,800	(3,529)
Total expenditures	<u>689,482</u>	<u>518,761</u>	<u>(35,181)</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>51,167</u>	<u>36,141</u>	<u>(15,045)</u>
OTHER FINANCING (SOURCES)			
Change for increase in compensated absences accrued	(854)	0	854
Total other financing sources	<u>(854)</u>	<u>0</u>	<u>854</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>50,313</u>	<u>36,141</u>	<u>(14,082)</u>
FUND BALANCES, BEGINNING	<u>421,130</u>	<u>421,130</u>	<u>421,130</u>
FUND BALANCES, END OF YEAR	<u>(3,000,818)</u>	<u>(3,004,899)</u>	<u>\$412,312</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**

**Notes to the Financial Statements
For the Year Ended December 31, 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FORMATION AND OPERATIONS

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

The purpose of the District is to provide fire protection for the citizens of the District. The district serves approximately 4,000 households and other business establishments. The District employs the equivalent of two permanent full-time employees and three permanent part-time employees. It also employs temporary employees as needed. The majority of the services are provided through volunteers.

B. BASIS FOR PRESENTATION

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

C. REPORTING ENTITY

As the governing authority, for reporting purposes, the City/Parish is the primary financial reporting entity. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City/Parish for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. Because the City/Parish Metropolitan Council appoints the District's governing body and

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

the District 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 governmental units that comprise the financial reporting entity.

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

**Notes to the Financial Statements
For the Year Ended December 31, 1997**

D. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The General Fund is used to record all financial resources not required to be accounted for in other funds.

E. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the Governmental Funds. Revenues are recognized in the accounting period in which they become available and measurable.

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

F. BUDGET

The 1997 budget was prepared in 1996 by the Chief, and ratified by the Board of Commissioners. A public hearing was held in December, 1996, and the budget became effective January 1, 1997. Only one amendment was made to the 1997 budget.

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 money market 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.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 8
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**Notes to the Financial Statements
For the Year Ended December 31, 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

I. FIXED ASSETS

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

J. COMPENSATED ABSENCES

The District's policy relating to vacation and sick leave includes recognizing sick leave at a rate of .02 hours for every hour worked. No cash payment may be made for accumulated sick leave. Part time employees earn vacation time at a rate of .04 hours for every hour worked. The full time employee earned vacation at a rate of twelve hours per month, which equates to eighteen days per year.

K. LONG-TERM OBLIGATIONS

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

L. FUND EQUITY

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

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

M. TOTAL COLUMNS ON STATEMENTS

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

2. CASH AND CASH EQUIVALENTS

At December 31, 1997, the District had cash and cash equivalents (book balances) as follows:

Certificate of deposit	\$97,618
Interest-bearing demand deposits	14,726
Total	<u>\$112,344</u>

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

Notes to the Financial Statements
For the Year Ended December 31, 1997

2. CASH AND CASH EQUIVALENTS - continued

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, 1997, the District has \$ 118,781 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$187,800 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.

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 TAXES RECEIVABLE

The following is a summary of property taxes receivable at December 31, 1997:

Property taxes receivable	\$214,900
Less allowance for uncollectible accounts	(1,828)
Net property taxes receivable	<u>\$213,072</u>

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

5. CHANGES IN GENERAL FIXED ASSETS

	Building Furniture, & Equipment	Land	Total
Balance at 12/31/96	\$1,072,751	\$ 151,360	\$1,224,111
Additions	<u>78,341</u>	<u>-</u>	<u>78,341</u>
Balance at 12/31/97	<u>\$1,151,092</u>	<u>\$ 151,360</u>	<u>\$1,302,452</u>

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

**Notes to the Financial Statements
For the Year Ended December 31, 1997**

6. RETIREMENT PLAN

The District's only full-time employee is eligible for participation in the Employees' Retirement System of the City/Parish. Contributions in the amount of \$8,888 were made during 1997.

7. COMPENSATED ABSENCES

At December 31, 1997, employees of the District have accumulated and vested \$2,551 of vacation benefits, which was computed in accordance with GASB Codification Section 605. This amount is recorded within the general long-term obligations account group.

8. LEASES

The District maintained one piece of equipment under a capital lease as an asset in the accompanying financial statements. The lease obligation was paid in its entirety during 1997.

9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	Compensated Absences	Capital Leases	Bond Debt	Total
Balance at December 31, 1996	\$1,997	\$28,319	\$677,900	\$708,216
Obligations transferred in from the City/Parish	0-	0-	0-	0-
Additions - other	854	0-	0-	854
Deductions/payments	(80)	(28,319)	(68,080)	(196,209)
Balance at December 31, 1997	<u>\$2,951</u>	<u>\$0</u>	<u>\$609,820</u>	<u>\$612,771</u>

During 1994, the District issued a long-term certificate of indebtedness to a local bank in the amount of \$800,000, payable over a 15-year period at rates ranging from 3.75% to 6.00% to acquire facilities and equipment for the District's fire protection purposes. Remaining annual principal payments range from \$67,500 in 1999 to \$128,500 in 2004. 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. 8
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**Notes to the Financial Statements
For the Year Ended December 31, 1997**

9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS - continued

The annual requirements to amortize all bonds outstanding at December 31, 1997, including interest of \$156,239 are as follows:

Year Ending	
1998	193,439
1999	99,901
2000	99,579
2001	193,439
2002	99,858
2003	99,498
2004	<u>199,970</u>
	<u>\$1,316,728</u>

10. RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year ended December 31, 1997.

11. LITIGATION AND CLAIMS

The District was not involved in any litigation and is unaware of any claims outstanding.

12. VALUE OF CONTRIBUTED SERVICES

The District relies heavily on the contributed services of volunteer firefighters. During 1997, total three were responses to 829 emergency calls. Volunteer hours for training, firefighting, and administrative duties totaled 16,738 approximately at a value of approximately \$228,000, which is not included in the accompanying financial statements.

13. CONTINGENCIES

Under current Civil Service regulations, each employee is technically allowed one year of compensated sick pay in the event of a long term illness. Under this policy, the District would be liable for additional accrued compensated absences in the amount of \$21,151.

BURRIS, McKEY & O'BRIEN

A Professional Corporation of Certified Public Accountants

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

**INDEPENDENT AUDITOR'S 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 compliance and financial statements of East Side Fire Protection District No. 5 as of and for the year ended December 31, 1997, and have issued our report thereon dated March 11, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-135, "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, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Side Fire Protection District No. 5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and questioned costs as Item 1-1 on page 11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described is not a material weakness.

This report is intended solely for the use of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Burris, McKey & O'Brien

March 11, 1998

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
BATON ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUALIFIED COSTS
(See Auditor's Report)**

INTERNAL CONTROL OVER FINANCIAL REPORTING

1-1. <u>Criteria:</u>	Proper internal controls require that procedures be in place to prevent or detect any unauthorized transactions.
<u>Condition:</u>	Chief Dale Hancock has the authority to approve all expenditures. He co-signs with the internal accountant on checks over \$2,500. Due to the net amount of payroll checks, the internal accountant's signature has been the only signature on the payroll checks. Further, there was no indication of approval on some of the time cards tested. Thus, it appears that the persons authorized to approve the time cards were not consistent in their approval procedures. This matter was reported in the prior year internal control report. While an attempt has been made to approve all time cards, there were still time cards tested which did not indicate proper approval.
<u>Effect:</u>	If an unauthorized or incorrect payroll check were written, the above condition would not be detected in a timely manner during the regular course of business.
<u>Recommendation:</u>	We recommend that Captain Robert Gateley continue to approve all time cards except his own. Chief Hancock should continue to approve all of Captain Gateley's time cards.
<u>Management Response:</u>	Captain Gateley will approve all employee's time sheets, except his own, prior to submission for payment. The Chief will approve Captain Gateley's time sheet either by signature or phone confirmation with the bookkeeper.