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CENTRAL FIRE PROTECTION DISTRICT NO. 4  
CITY OF BATON ROUGE  
PARISH OF EAST BATON, BOULDER, LOUISIANA  
COMPONENT UNIT FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 1997

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 4-15-98

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**Karen R. Dugas, C.P.A.**

**A Professional Accounting Corporation**

1540-Bridgeway Avenue, Suite C  
Baton Rouge, LA 70802

**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, 1997, 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, 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, I have also issued a report dated March 25, 1998 on my consideration of Central Fire Protection District No. 4's internal control structure and a report dated March 23, 1998 on its compliance with laws and regulations.

Karen R. Dugas CPA APAC

March 23, 1998

GENERAL FIRE PROTECTION DISTRICT NO. 4  
CITY OF EAST BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
ALL FUNDED AND ACCOUNT GROUPS

(Balance Sheet December 31, 2007)

	GOVERNMENTAL FUNDED		ACCOUNT GROUPS		Totals (Memorandum Only)
	General Fund	Capital Projects	General Fund Assets	Long Term Debt	
<b>ASSETS AND OTHER DEBITS</b>					
<b>Assets:</b>					
<b>Current Assets</b>					
Cash and Cash equivalents (Note 2)	\$ 82,074	\$ -	\$ -	\$ -	\$ 82,074
Property Taxes receivable - fee (Note 4)	248,037	-	-	-	248,037
Due from other governments	407,043	-	-	-	407,043
Year charges receivable - fee (Note 4)	80,644	-	-	-	80,644
Prepaid assets	2,718	-	-	-	2,718
<b>Fixed Assets</b>					
Land and Buildings	-	-	1,008,034	-	1,008,034
Equipment	-	-	758,132	-	758,132
Equipment under capital lease	-	-	681,847	-	681,847
<b>Other Debits</b>					
Amount to be received for retirement of long term debt	-	-	-	(281,800)	281,800
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 1,520,506</b>	<b>\$ -</b>	<b>\$ 2,388,013</b>	<b>\$ (281,800)</b>	<b>\$ 1,776,599</b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>					
<b>Current Liabilities</b>					
Accounts and various payable	\$ 18,480	\$ -	\$ -	\$ -	\$ 18,480
Accounts payable and benefits payable	29,480	-	-	-	29,480
<b>Long-term Liabilities:</b>					
Compensated absences payable (Note 10)	-	-	-	54,107	54,107
Capital lease under capital lease (Note 10)	-	-	-	271,800	271,800
<b>Total Liabilities</b>	<b>\$ 47,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325,907</b>	<b>\$ 373,867</b>
<b>Equity and other credits:</b>					
Investment in general fixed assets	-	-	2,388,013	-	2,388,013
<b>Fund Methods:</b>					
Unassigned	-	-	-	-	-
Undesignated	479,234	-	-	-	479,234
<b>Total equity and other credits</b>	<b>\$ 479,234</b>	<b>\$ -</b>	<b>\$ 2,388,013</b>	<b>\$ -</b>	<b>\$ 2,867,247</b>
<b>TOTAL LIABILITY, EQUITY, AND OTHER CREDITS</b>	<b>\$ 527,194</b>	<b>\$ -</b>	<b>\$ 2,388,013</b>	<b>\$ (281,800)</b>	<b>\$ 1,776,599</b>

**CENTRAL FIRE PROTECTION DISTRICT NO 4**  
**CITY OF EAST BAYVIEW**  
**CARBON TAX, SALES TAX ON POLICE SERVICES**  
**ALL FORMS, TRUCKS AND MOBILE GARAGE**

**EXHIBIT B**

**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended December 31, 1987**

REVENUES	General Fund	Capital Programs	Total (Memorandum Only)
AD REVENUES	\$ 379,000	\$	\$ 379,000
Fire protection user charges	287,000		287,000
Intergovernmental revenues	95,700		95,700
Other	6,300		6,300
Interest earnings	71,000		71,000
Total revenues	<u>630,000</u>	<u>0</u>	<u>630,000</u>
EXPENDITURES			
Salaries and related benefits	418,328		418,328
Repairs and maintenance	22,888		22,888
Legal and Professional	18,400		18,400
Materials - fire systems	14,888		14,888
Insurance	83,800		83,800
Supplies	71,088		71,088
Utilities	33,711		33,711
Capital outlay	171,787	144,887	316,674
Debt service	14,040		14,040
Other	44,833		44,833
Total expenditures	<u>1,000,000</u>	<u>144,887</u>	<u>1,144,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(370,000)</u>	<u>(144,887)</u>	<u>(514,887)</u>
OTHER FINANCING SOURCES			
Operating transfers in (out)		144,887	144,887
Proceeds from auxiliary enterprise of general fund sale	28,000		28,000
Proceeds from Capital Lease	163,000		163,000
Trade-in of vehicle	10,000		10,000
Change in income in consolidated statement (outlay)	10,000		10,000
Total other financing sources	<u>211,000</u>	<u>144,887</u>	<u>355,887</u>
OTHER FINANCING LIABILITIES			
Principal retirement on capital lease	178,410		178,410
Operating transfers out (out)	144,887		144,887
Total other financing uses	<u>323,297</u>	<u>0</u>	<u>323,297</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER LIABILITIES	<u>(259,000)</u>	<u>(0)</u>	<u>(259,000)</u>
FUND BALANCES (DEFICIENCY) AT YEAR END	<u>600,887</u>	<u>0</u>	<u>600,887</u>
FUND BALANCES AT END OF YEAR	<u>\$ 379,000</u>	<u>\$ (0)</u>	<u>\$ 379,000</u>

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

Exhibit 1

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budget  
(For-GAAP Basis) and Actual - General Fund  
Year ended December 31, 1997**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 289,008	\$ 279,030	\$ 9,978
Fire protection user charge	(90,000)	(91,000)	41,000
Intergovernmental revenues	159,720	155,070	15,200
Other	1,000	4,991	3,991
Interest earnings	2,270	11,858	9,588
Total revenues	<u>362,008</u>	<u>364,959</u>	<u>2,951</u>
<b>EXPENDITURES</b>			
Salaries and related benefits	358,880	413,008	(54,128)
Repairs and maintenance	(9,000)	50,898	(2,898)
Legal and Professional	17,000	15,480	1,520
Rentals - fire systems	18,000	14,888	3,112
Insurance	35,500	33,811	1,689
Supplies	88,000	71,289	16,711
Utilities	27,750	20,711	7,039
Capital outlay	4,000	27,181	(23,181)
Debt service	14,344	14,344	0
Other	48,700	44,615	4,085
Total expenditures	<u>618,474</u>	<u>696,335</u>	<u>(77,861)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>143,534</u>	<u>(131,376)</u>	<u>274,910</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in (out)			
Proceeds from involuntary conversion			
general fixed assets	0	(9,500)	9,500
Proceeds from Capital Lease	0	101,000	101,000
Trade in of vehicle	0	10,000	10,000
Change in increase in compensated absences accrued	0	30,287	30,287
Total other financing sources	<u>0</u>	<u>131,787</u>	<u>131,787</u>
<b>OTHER FINANCING USES</b>			
Principal retirement on capital lease	117,987	115,412	2,575
Operating transfers out (net)	130,000	144,991	14,991
Total other financing uses	<u>247,987</u>	<u>260,403</u>	<u>12,416</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(104,453)</u>	<u>(28,619)</u>	<u>75,834</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>	\$ 208,897	\$ 208,897	\$ 0
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 104,444</u>	<u>\$ 280,276</u>	<u>\$ 175,832</u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION 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 inter-governmental 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 10,000 individuals. The District employs eight permanent full-time employees and fifteen 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, 1997, 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 criteria 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 the governmental unit, or the other general governmental units that comprise the financial reporting entity.

**D. FUND ACCOUNTING**

The District uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions and activities.

**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, 1997**

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.

The **Capital Projects Fund** is used to account for financial resources retained and used for the purposes of building and equipping a new Fire station. The construction contract was entered into during 1995 and the construction continued through 1996 and was completed during 1997.

**E. BASELISE ACCOUNTING**

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

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

**F. BUDGET**

The budget was prepared and approved by the board in 1996. The format of the budget is such that the General Fund and Capital Projects Fund expenditures and revenues are combined. There were no amendments to the budget in 1997.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance presents comparisons of the legally adopted budget with actual data. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of constant basis, timing, perspective, and entry differences in the sums of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1997 is presented below:

General	Fund
(Deficiency) of revenues and other sources of financial resources (over expenditures and other uses of financial resources (budgetary basis))	\$ (92,140)
<b>Adjustments:</b>	
To adjust revenues for accruals	
Property taxes	(14,263)
User charges	10,879
Interest	( 34)
To adjust expenditures for accruals	
Salaries	10,477



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, 1997**

Basic retirement ( 268)

Balance of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis) 1,042,000

**© 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, 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.

**© FIXED ASSETS**

Fixed assets are recorded as expenditures at time of purchase, and the related assets are capitalized (reported) in the general fixed asset group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. No depreciation has been provided on general fixed assets.

The District does not own any infrastructure assets.

**© COMPENSATED ABSENCES**

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 1808 hours for employees "grandfathered" under the policy which was in effect at December 31, 1997. Subsequent to year end, the Board of Commissioners approved a policy which would allow employees hired after implementation to carry over a maximum of 72 hours.

During 1997 the board changed the method of charging vacation for employees' paid time off. The accrued vacation time was recalculated. Accumulated vacation hours are reduced for each hour the employee is on vacation for which he was scheduled to work.

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 unused sick time.

At December 31, 1997, employees of the District had accumulated and vested \$64,000 in annual leave and "comp time".

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, 1997

**K. LONG-TERM OBLIGATIONS**

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

**L. DEFERRED**

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

(I) **Reserves:** Reserves represent those portions of fund equity not appropriate for expenditures or legally segregated for a specific future use. There were no reserved amounts at December 31, 1997.

(II) **Designated Fund Balances:** Designated fund balances represent tentative plans for future use of financial resources. There were no designated amounts at December 31, 1997.

**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.

**N. CASH AND CASH EQUIVALENTS**

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

Certificates of deposit	\$ 55,241
Interest-bearing demand deposits	38,750
<b>Total</b>	<b>\$ 94,001</b>

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, 1997, the District had \$94,001 in deposits (including bank balances). These deposits are secured from risk by \$180,000 of federal deposit insurance and \$172,800 of pledged securities held by the trust department of the fiscal agent bank (GAAP Category 2).

Even though the pledged securities are considered uncollateralized (category 2) under the provisions of GAAP Statement 3, Louisiana Revised Statute 38:1219 imposes a statutory requirement on the trust department of the fiscal agent bank to advertise and sell the pledged securities within 18 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

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, 1997

**1. 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 USER CHARGES RECEIVABLES**

The following is a summary of receivables at December 31, 1997:

	Property Taxes	User Charges
Accounts receivable	\$172,417	\$198,238
Less estimated uncollectible amounts	<u>(12,308)</u>	<u>(22,605)</u>
Net property tax receivable	<u>\$160,109</u>	<u>\$175,633</u>

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

**5. CHANGES IN GENERAL FIXED ASSETS**

	Equipment				Totals
	Under Capital				
	Lease	Equipment	Land	Buildings	
<u>Balance at December 31, 1996</u>	\$480,847	\$721,445	\$161,018	\$699,836	\$2,063,127
Additions	171,800	48,778	-	144,990	365,568
Depreciation	<u>-0-</u>	<u>(138,512)</u>	<u>-0-</u>	<u>-0-</u>	<u>(138,512)</u>
<u>Balance at December 31, 1997</u>	<u>\$652,647</u>	<u>\$631,711</u>	<u>\$161,018</u>	<u>\$844,826</u>	<u>\$2,249,202</u>

**6. COMPENSATED ABSENCES**

At December 31, 1997 employees of the District have accumulated and vested \$ 64,187 of vacation benefits and "comp time", which was computed in accordance with GASB Codification Section 068. 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 21:0415, 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 4.7% of total taxes collected for the City. December tax collections recorded in the District by the Sheriff in January are reported as "Due from other governmental units".

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, 1997**

The 1997 property tax calendar is as follows:

Levy date	March 12, 1997
Billings begin adopted	March 12, 1997
Tax Notices Sent	December 1, 1997
Due date	December 31, 1997
Lien date	January 1, 1998

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 1.37% per month until the taxes are paid. After notice is given to the delinquent taxpayer, the Sheriff is required to sell a portion or all of the property to satisfy the taxes and interest owed. Therefore, virtually all of the taxes are collected by year-end, and no delinquent amounts are recorded.

An allowance for uncollectible taxes is deducted from the gross taxes assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data, is not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or 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.

#### **5. USE CHARGES**

The District is empowered to assess a use charge of \$12 for each residential and commercial structure in the District. In years prior to 1994 use charges were considered measurable when collected because the District had no authority by which to enforce collection. During 1994, the District obtained the authority to assess liens on property for which the charges have not been paid. In April 1996, a levy was placed on all properties for which the use 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.

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, 1997

**9. LEASES**

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

1998	\$140,458
1999	76,764
2000	9,798
	<u>226,920</u>
Less: Amount representing interest	(111,881)
Present value of net minimum lease payments	<u>\$115,039</u>

The District also has an operating lease on the building which houses one of the fire stations. The lease expires February 1, 2003. The expenditures for this lease are recorded in the general fund. The following is a summary of the minimum lease payments under this lease:

1998	\$1,400
1999	1,400
2000	1,400
2001	1,400
2002	1,400
	<u>\$6,000</u>

The expenditures for the operating lease on the building for 1997 was \$6,000.

**10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

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

	Compensated <u>Absences</u>	Capital <u>Leases</u>	<u>Total</u>
Balance at December 31, 1996	\$ 30,899	\$ 171,214	\$ 202,113
Additions to compensated absences - current year	31,208	-	31,208
Addition of capital lease - current year	-	161,800	161,800
Principal reduction of capital leases - current year	-	(118,400)	(118,400)
Balance at December 31, 1997	<u>\$ 62,107</u>	<u>\$ 113,614</u>	<u>\$ 175,721</u>

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

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

**11. LITIGATIONS AND CLAIMS**

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

**12. PENSION PLAN**

The District, as well as covered employees, makes contributions to the Employees' Retirement System of the City of Baton Rouge, and the Parish of East Baton Rouge (Retirement System). This is a defined-benefit agent multiple-employer pension plan that provides retirement benefits for all full-time employees of the District, as well as the City-Parish, the East Baton Rouge Recreation and Parks Commission, East Baton Rouge Parish Family Court Judicial Expense Fund, East Baton Rouge Parish Avenue Canal 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 (Plan of Government) to administer the assets of the system, and is composed of seven members. Four of the trustees are members of the Retirement System, two are selected from the police and fire departments-employees, and one trustee each is selected from the Police and Fire Departments. The remaining membership of the board consists of the Director of Finance, and two persons with business and accounting experience, appointed by the metropolitan Council. All administrative expenses of the Retirement System are paid from funds of the system, and the board issues its own financial statements on an annual basis.

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 as 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 10079 adopted in December 1996, and effective April 1997 amended this to read that the benefits right vest after the employee has been a member of the Retirement System for ten years. Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. Full retirement benefits are granted with twenty-five years service, regardless of age while minimum eligibility benefits are granted at age 55 with ten years of service, or twenty years of service, regardless of age. Full retirement benefits are defined as 7% of average compensation times the number of years of service while minimum eligibility benefits are defined as 2.5% of average compensation times the number of years of service. Average compensation is determined by the highest average compensation in thirty-six consecutive months. Benefits paid to employees shall not exceed 80% of average compensation. Benefits are reduced by 1% for each year below age 55, if not eligible for full retirement.

The Plan of Government 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 mandatory contribution of 3% of gross earnings while the 1997 employer contribution rate was 11% through March 31. Effective April 1, 1997 it became 15.00% of net pay.

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 employer retirement systems and employees. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.00% per year in 1996 and 1995, compounded

**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, 1997**

annually, (b) projected salary increases of 4.0% per year (compounded annually, attributable to inflation), (c) additional projected salary increases based on seniority and merit, and (d) no post-retirement benefit increases. The pension benefit obligation of the Retirement System is based on the standardized measurement established by GASB Statement No. 3 and is independent of the actuarial computation made to determine contributions to the system. During 1995, the Retirement System implemented GASB 25. The District has not implemented GASB 27.

On the December 31, 1996 financial statements of the Retirement System, the pension benefit obligation, determined through an actuarial valuation performed on January 1, 1997, was \$711 million. The system's net assets available for benefits on that date was \$317 million, leaving an unfunded pension benefit obligation of \$394 million. The District's 1996 contributions represented less than 7% of total contributions required of all participating entities. For the year ended December 31, 1996, the total annual required and actual employer contributions were \$17,773,028 and \$18,219,897 respectively. The percentage contributed was 97%. The calculation of annual required contribution consists of \$7,545,834 of "normal cost" and \$10,227,974 of "amortization payment."

The portion of the pension benefit obligation attributable to current employees is \$495,887,182 and consists of the following components:

Employee contributions	\$ 78,794,642
Employer Financed - vested	300,675,278
Employer Financed - non vested	116,417,262

Additional information regarding the actuarial valuation is as follows:

Valuation Method:	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability
Asset Valuation Method:	Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 10% of unrealized gains (losses) recognized each year
Amortization Method:	Increasing 4% per year for first 15 years and level percent for the next 15 years.
Remaining Amortization Period:	28 years

GASB 25 allows maximum allowable 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 1997, the District contributed \$34,317 and the employees contributed \$18,120 on payroll of approximately \$128,808. Total Payroll for all employees totaled \$208,689.

Two years of information regarding the funding progress is included in the separately issued December 31, 1996 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 active during 1997. There is no cost entitled to receive benefits who is not yet receiving them.

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For the Year Ended December 31, 1997

13. DEFERRED COMPENSATION PLAN

The department has a deferred compensation plan established under Internal Revenue Code section 457. The plan covers substantially all employees. Participants elect to defer a portion of their salaries and there are no contributions made by the District. The amounts deferred from the employees' salaries are subject to the claims of general creditors of the District until the amounts are credited to the administrator of the plan. The administrators of the plan determine the uses of the plan assets, including the payment of benefits. Employee deferrals in 1997 totaled \$1,348.

14. SUPPLEMENTAL SALARIES

During the year the full time employees received additional pay in the amount of \$24,178 from the State of Louisiana. This amount was recorded in revenue as an intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.

15. SUBSEQUENT EVENTS

Subsequent to year end, the District entered into a capital lease in which they purchased a piece of office equipment. The lease is for a term of three years. The equipment cost and monthly payments are approximately \$4,800 and \$1,090 respectively.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT ACCOUNTING STANDARDS**

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

I have audited the accompanying component unit financial statements of the Central Fire Protection District No. 4, as of and for the year ended December 31, 1997 and have issued my report thereon dated March 25, 1998.

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. 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.

The management of Central Fire Protection District No. 4, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 recorded 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 in future periods is subject to the risk that procedures 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, 1997, 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.

### Separation of duties

<b>Criteria:</b>	Proper internal controls require that one employee not be able to control all phases of a transaction.
<b>Condition:</b>	I noted that certain employees of the District perform certain incompatible duties regarding the receipt and recording of funds on behalf of the District.
<b>Effect:</b>	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.
<b>Recommendation:</b>	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.
<b>Management Response:</b>	Management is reviewing the options to ensure that the risk of diversion of funds is kept to a minimum without incurring excessive cost.

### Lack of inter-account reconciliations

<b>Criteria:</b>	Proper internal control procedures require that subsidiary records be reconciled to control totals timely.
<b>Condition:</b>	I noted that the fixed asset detail ledger had not been reconciled to the general ledger accounts.
<b>Recommendation:</b>	I recommend that the fixed asset detail records be reconciled at least quarterly to the general ledger accounts.
<b>Management Response:</b>	We agree with this recommendation, will implement the fixed asset reconciliation after the first calendar quarter in 1998.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure 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 bodies of the State of Louisiana. This report is not intended to limit the distribution of this report, which is a matter of public record.

  
Karen R. Dejean CPA AICPA

March 15, 1998

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF COMPENSATION  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

I have audited the accompanying component unit financial statements of the Central Fire Protection District No. 4, as of and for the year ended December 31, 1997, and have issued my report thereon dated March 15, 1998.

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 misstatements.

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 misstatements, 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.

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

*Karen R. Dugas, CPA ARAC*  
March 23, 1998