CENTRAL FIRE PROTECTION DISTRICT NO.4
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 1998

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general purpose financial statements of the Central Fire Protection District No. 4, a component unit of the City of Baton Rouge/Parish of East Baton Rouge as of December 31, 1998, and for the year then ended. These component unit financial statements are the responsibility of the Central Fire Protection District No. 4 management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

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

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Central Fire Protection District No. 4, as of December 31, 1998 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 26, 1999 on my consideration of Central Fire Protection District No. 4's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Karen Johnson CPA APAC

March 26, 1999

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EXHIBIT A

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

Balance Sheet December 31, 1998

	GOVERNMENTAL FUND TYPE	ACCOUNT GROUPS		
	General Fund	General Fixed Assets	General Long-Term Debt	Totals (Memorandum Only)
ASSETS AND OTHER DEBITS				
Assets:				
Current Assets				
Cash and cash equivalents (Note 2)	$ 115,867	$ -0-	$ -0-	$ 115,867
Property taxes receivable - Net (Note 4)	220,880	-0-	-0-	220,880
Due from other governments (Note 4)	163,181	-0-	-0-	163,181
User charges receivable - Net (Note 4)	81,755	-0-	-0-	81,755
Other receivables and prepaid amounts	5,027	-0-	-0-	5,027
Fixed Assets				
Land and buildings	-0-	1,009,824	-0-	1,009,824
Equipment	-0-	710,050	-0-	710,050
Equipment under capital leases	-0-	651,847	-0-	651,847
Other Debits:				
Amount to be provided for retirement of long term debt	-0-	-0-	163,321	163,321
TOTAL ASSETS AND OTHER DEBITS	$ 586,710	$ 2,371,721	$ 163,321	$ 3,121,752
LIABILITIES, EQUITY, AND OTHER CREDITS				
Current Liabilities:				
Accounts payable	$ 13,687	$ -0-	$ -0-	$ 13,687
Accrued expenses and benefits payable	27,984	-0-	-0-	27,984
Long-term Liabilities:				
Net Pension Obligation (Note 10)	-0-	-0-	25,300	25,300
Compensated absences payable (Note 10)	-0-	-0-	51,966	51,966
Obligation under capital leases (Note 10)	-0-	-0-	86,055	86,055
Total Liabilities	41,671	0	163,321	204,992
Equity and other credits:				
Investment in general fixed assets	-0-	2,371,721	-0-	2,371,721
Fund Balances:				
Unreserved				
Undesignated	545,039	-0-	-0-	545,039
Total equity and other credits	545,039	2,371,721	0	2,916,760
TOTAL LIABILITY, EQUITY, AND OTHER CREDITS	$ 586,710	$ 2,371,721	$ 163,321	$ 3,121,752

The accompanying notes are an integral part of these financial statements

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

Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended December 31, 1998

REVENUES	General Fund	Total (Memorandum Only)
Ad valorem taxes	$ 396,861	$ 396,861
Fire protection user charges	297,063	297,063
Intergovernmental revenues	209,027	209,027
Interest earnings	11,247	11,247
Other	9,504	9,504
Total revenues	923,702	923,702
EXPENDITURES		
Salaries and related benefits	452,657	452,657
Repairs and maintenance	33,158	33,158
Legal and Professional	14,206	14,206
Rentals - fire hydrants	15,075	15,075
Insurance	32,674	32,674
Supplies	69,086	69,086
Utilities	22,486	22,486
Capital outlay	41,870	41,870
Debt service	8,695	8,695
Other	49,576	49,576
Total expenditures	739,483	739,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	184,219	184,219
OTHER FINANCING SOURCES		
Proceeds from sale of general fixed assets	9,270	9,270
Trade in of asset	3,980	3,980
Total other financing sources	13,250	13,250
OTHER FINANCING USES		
Principal retirement on capital lease	131,763	131,763
Total other financing uses	131,763	131,763
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	65,706	65,706
FUND BALANCES BEGINNING OF YEAR	479,333	479,333
FUND BALANCES AT END OF YEAR	$ 545,039	$ 545,039

The accompanying notes are an integral part of these financial statements

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

Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget
(Non-GAAP Basis) and Actual - General Fund
Year ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	$ 380,000	$ 396,861	$ 16,861
Fire protection user charge	280,000	297,063	17,063
Intergovernmental revenues	183,700	209,027	25,327
Other	2,000	11,247	9,247
Interest earnings	4,500	9,504	5,004
Total revenues	850,200	923,702	73,502
EXPENDITURES			
Salaries and related benefits	427,300	452,657	(25,357)
Repairs and maintenance	31,000	33,158	(2,158)
Legal and Professional	18,500	14,206	4,294
Rentals - fire hydrants	15,500	15,075	425
Insurance	35,700	32,674	3,026
Supplies	74,900	69,086	5,814
Utilities	26,500	22,486	4,014
Capital outlay	32,900	41,870	(8,970)
Debt service	8,695	8,695	0
Other	46,900	49,576	(2,676)
Total expenditures	717,895	739,483	(21,588)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	132,305	184,219	51,914
OTHER FINANCING SOURCES			
Proceeds from sale of general fixed assets	-0-	9,270	9,270
Trade in of asset	-0-	3,980	3,980
Total other financing sources	0	13,250	13,250
OTHER FINANCING USES			
Principal retirement on capital lease	132,305	131,763	542
Total other financing uses	132,305	131,763	542
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	0	65,706	65,706
FUND BALANCES BEGINNING OF YEAR	$ 433,821	$ 479,333	$ (45,512)
FUND BALANCES AT END OF YEAR	$ 433,821	$ 545,039	$ 20,194

The accompanying notes are an integral part of these financial statements

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, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FORMATION AND OPERATIONS

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

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

The purpose of the District is to provide Fire Protection for the citizens of the District. The District serves approximately 32,300 individuals. The District employs approximately eight permanent full-time employees and twelve – fifteen permanent part-time employees. It also employs temporary employees as needed. A substantial portion of the services is provided through volunteers.

B. BASIS FOR PRESENTATION

The accompanying financial statements of the Central Fire Protection District No. 4 as of December 31, 1998, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C. REPORTING ENTITY

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

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

the District was determined to be a component unit of the City/Parish. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City/Parish, the general government services provided by that governmental unit, or the other general governmental units that comprise the financial reporting entity.

D. FUND ACCOUNTING

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Capital Projects Fund is used to account for financial resources retained and used for the purpose of building and equipping a new fire station. There were no capital projects in process during 1998.

E. BASIS OF ACCOUNTING

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

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

F. BUDGET

The budget was prepared and approved by the board in 1997. There was one amendment to the 1998 budget. The Board of Commissioners approved it in July of 1998.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance presents comparisons of the legally adopted budget with actual data. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1998 is presented below:

	General Fund
(Deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	$ (0)
Adjustments:	
To adjust revenues for accruals	
Property taxes	83,296
User charges	1,111
To adjust expenditures for accruals	
Salaries	(3,029)
State retirement	(469)
Budgeted Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	$ 80,909

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ENCUMBRANCES

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

H. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposit accounts. The District considers short-term (maturity of 90 days or less), highly liquid investments as cash equivalents. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

I. FIXED ASSETS

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

The District does not own any infrastructure assets.

J. COMPENSATED ABSENCES

The District's 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 1,800 hours for employees "grandfathered" under the policy which was in effect at December 31, 1998. During the year, the Board of Commissioners approved a policy that would allow employees hired after implementation to carry over a maximum of 72 hours.

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

At December 31, 1998, employees of the District had accumulated and vested $51,966 in annual leave and "comp. time".

K. LONG-TERM OBLIGATIONS

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

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, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. FUND EQUITY

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

(1) Reserves: Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. There were no reserved amounts at December 31, 1998.

(2) Designated Fund Balances: Designated fund balances represent tentative plans for future use of financial resources. There were no designated amounts at December 31, 1998.

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, 1998, the District has cash and cash equivalents (book balances) as follows:

Certificates of deposit	$ 55,960
Interest bearing demand deposits	59,907
Total	$ 115,867

These deposits are stated at cost, which approximate market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the District had $127,000 in deposits (collected bank balances). These deposits are secured from risk by $100,000 of federal deposit insurance and approximately $279,000 of pledged securities held by the trust department of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the trust department of the fiscal agent bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. INVESTMENTS

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

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, 1998

4. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

The following is a summary of receivables at December 31, 1998:

	Property Taxes	User Charges
Amounts receivable	$237,480	$163,555
Less estimated uncollectible amounts	(16,600)	(81,800)
Net property tax receivable	$220,880	$ 81,755

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

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

5. CHANGES IN GENERAL FIXED ASSETS

	Equipment Under Capital Lease	Equipment	Land	Buildings	Totals
Balance at December 31, 1997	$651,847	$708,132	$165,018	$844,806	$2,369,803
Additions	-0-	41,870	-0-	-0-	41,870
Disposals	-0-	(39,952)	-0-	-0-	(39,952)
Balance at December 31, 1998	$651,847	$710,050	$165,018	$844,806	$2,371,721

6. COMPENSATED ABSENCES

At December 31, 1998 employees of the District have accumulated and vested $ 51,966 of vacation benefits and "comp time", which was computed in accordance with GASB Codification Section C60. This amount is recorded within the general long-term debt account group.

7. PROPERTY TAX REVENUES

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

The 1998 property tax calendar is as follows:

Levy date	December 10, 1997
Millage rages adopted	December 10, 1997
Tax Notices Sent:	December 1, 1998
Due date	December 31, 1998
Lien date	January 1, 1999

7. PROPERTY TAX REVENUES (Continued)

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

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

8. USER CHARGES

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

9. LEASES

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

1999	$ 78,764
2000	9,700
	88,464
Less: Amount representing interest	(2,409)
Present value of net minimum lease payments	$ 86,055

The reduction of capital lease obligations scheduled for 1999 on these leases total $76,420.

9. LEASES (Continued)

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

1999	$ 9,067
2000	9,067
2001	9,067
2002	8,539
2003	8,400
	$44,140

The district also rents various pieces of equipment on an as needed basis. The expenditures for the operating leases during 1998 were $10,394.

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	Compensated Absences	Net Pension Obligation	Capital Leases	Totals
Balance at December 31, 1997	$ 64,107	$ -0-	$ 217,818	$ 281,925
Recording of net pension obligation		25,300		25,300
Reduction in compensated absences – 1998	(12,141)	-	-	(12,141)
Principal reduction of capital leases - 1998	-	-	(131,763)	(131,763)
Balance at December 31, 1998	$ 51,966	$ 25,300	$ 86,055	$ 163,321

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 Juvenile Court Judicial Expense Fund, and other East Baton Rouge Fire Protection Districts.

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

12. PENSION PLAN (Continued)

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

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

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

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 10779 adopted in December 1996, and effective April 1997 amended this to read that the benefits right vest after the employee has been a member of the Retirement System for ten years. Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. Full retirement benefits are granted with twenty-five years service, regardless of age while minimum eligibility benefits are granted at age 55 with ten years of service, or twenty years of service, regardless of age. Full retirement benefits are defined as 3% of average compensation times the number of years of service while minimum eligibility benefits are defined as 2.5% of average compensation times the number of years of service. Average compensation is determined by the highest average compensation in thirty-six consecutive months. Benefits paid to employees shall not exceed 90% of average compensation. Benefits are reduced by 3% for each year below age 55, if not eligible for full retirement. The plan was last amended effective January 1, 1998 (Ordinances No. 11019 and 11020).

Funding Policy Under the current plan, both employee and employer contributions are made to fund the system. Employees make a mandatory contribution of 9.5% of gross earnings while the 1998 employer contribution rate was 16.13% of active payroll.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.00% per year in 1997

12 PENSION PLAN (Continued)

and 1996, compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases based on seniority and merit, and (d) no post-retirement benefit increases. During 1995, the Retirement System implemented GASB 25. During 1998 the District implemented GASB 27.

On the December 31, 1997 financial statements of the Retirement System, the pension benefit obligation, determined through an actuarial valuation performed on January 1, 1998, was approximately $764 million. The system's net assets available for benefits on that date was $553 million, leaving an unfunded pension benefit obligation of $211 million. The District's 1997 contribution represented less than 1% of total contributions required of all participating entities. For the year ended December 31, 1997, the total annual required and actual employer contributions were $19,510,792 and $17,849,014 respectively. The percentage contributed was 91%. The calculation of annual required contribution consists of $7,774,413 of "normal cost" and $11,736,379 of "amortization payment."

Additional information regarding the actuarial valuation is as follows:

Valuation Method:	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability
Asset Valuation Method:	Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (losses) recognized each year
Amortization Method:	Increasing 4% per year for first 15 years and level percent for the next 15 years
Remaining Amortization Period:	27 years

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

During 1998, the District contributed $39,764 and the employees contributed $23,420 on payroll of approximately $246,524. Total Payroll for all employees totaled $285,160 in addition to $21,600 in state supplemental pay.

Two years of information regarding the funding progress is included in the separately issued December 31, 1998 financial statements of the Retirement System. A copy of this report may be obtained from the Retirement System. The District does not guarantee the benefits granted by the System. The District had no employees retire during 1998. There is no one entitled to receive benefits that are not yet receiving them.

The most current actuarial report, as of December 31, 1997 calculated the district's portion of the net pension obligation (NPO) of the plan to be approximately $21,300. An increase in the NPO was recorded in the long term debt account group during 1998, bringing the total NPO recorded at December 31, 1998 to $25,300.

12. PENSION PLAN (Continued)

Three-Year Trend Information for the District

Fiscal Year	Annual Pension Cost	Actual Contribution	Increase in NPO
1995	28,916	22,104	6,812
1996	34,905	29,880	5,025
1997	38,232	34,335	3,897

The annual pension costs for 1997 consists of the following components:

Actuarially Recommended Contributions (ARC)	$37,933
Interest on Net Pension Obligation	1,392
Adjustments to ARC	(1,093)
Annual Pension Costs	$38,232

13. DEFERRED COMPENSATION PLAN

The department has a deferred compensation plan established under Internal Revenue Code section 457. The plan covers substantially all employees. Participants elect to defer a portion of their salaries and there are no contributions made by the District. The amounts deferred from the employees' salaries are subject to the claims of general creditors of the District until the amounts are remitted to the administrator of the plan. The administrators of the plan determine the uses of the plan assets, including the payment of benefits. The district has no additional fiduciary responsibility. Employee deferrals in 1998 totaled $865.

14. SUPPLEMENTAL SALARIES

During the year the full time employees received additional pay in the amount of $21,600 from the State of Louisiana. This amount was recorded in revenue as intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.

15. CHANGE IN ACCOUNTING PRINCIPLE

In prior years the change in the compensated absences balances was accounted for by a corresponding increase or decrease in salaries and related benefits on the statement of revenues, expenditures and changes in fund balance. An offsetting other financing source or use was recorded. The resulting liability was recorded in the long-term debt group of accounts. In the accompanying statements, the district has elected to omit the current year's change in the compensated absences balance from the statement of revenues, expenditures and changes in fund balance in order to be in compliance with GASB Statement 16. We concur with this change.

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

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

I have audited the accompanying component unit financial statements of the Central Fire Protection District No. 4, as of and for the year ended December 31, 1998 and have issued my report thereon dated March 26, 1999.

I have conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Budget

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

Management's Corrective Action Plan

Management has indicated this was an oversight. The chief has been assigned the responsibility of ensuring that all provisions of the budget law are complied with.

Fixed Assets

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

Public Bid Law

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

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

Management's Corrective Action Plan

Management does not feel the actions taken were in violation of the public bid law because the invoiced amount was below $7,500. However, in order to ensure there are no appearances of impropriety, management intends to obtain bids on similar transactions in the future.

Internal Control Over Financial Reporting

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

Separation of duties

Criteria:	Proper internal controls require that one employee is not 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 inordinate cost.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended 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.

Karen Johnson CPA APAC

March 26, 1999

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