

CENTRAL FIRE PROTECTION DISTRICT NO.4  
BASIC FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED DECEMBER 31, 2003

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

Release Date 5.12.04

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**A Professional Accounting Corporation**  
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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 financial statements of the governmental activities and the major fund of the Central Fire Protection District No. 4, a component unit of the City of Baton Rouge/Parish of East Baton Rouge as of and for the year ended December 31, 2003 which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Central Fire Protection District No. 4 management. My responsibility is to express opinions on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Central Fire Protection District No. 4, as of December 31, 2003 and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 7 and page 25, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 9, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

*Karen Johnson, CPA, APAC*

March 9, 2004

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Central Fire Protection District No. 4's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the District's financial statements, which begin on page 8.

### Financial Highlights

Expenses have changed due to varying factors. Salaries have increased due to annual raises, as well as an across the board increase that is to be funded by a 5 mill property tax approved in November 2002.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. These statements tell how these services were financed in the short term as well as what remains for future spending. The District is a component unit of the City of Baton Rouge/ Parish of East Baton Rouge. Its operations are conducted solely through a general fund.

### Reporting the District as a Whole

Our analysis for the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account when the revenue is earned or the expense is incurred. These two statements report the District's net assets and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and state revenues to assess the overall health of the District.

The District's activities are reported as governmental activity. Property taxes, user charges, state revenue sharing, and insurance company taxes finance most of these activities.

Central Fire Protection District No. 4  
 Management's Discussion and Analysis  
 For the year ended December 31, 2003

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund financial statements begin on page 10. The general fund is reported using an accounting method called modified accrual accounting and the current financial resources measurement focus, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds, (reported in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance) in a reconciliation on page 13.

The District As A Whole (Accrual Basis)

The District's beginning net assets, were \$2,341,659 and ending net assets were \$2,662,757, representing a 14% increase.

Net capital assets are slightly lower this year. Several new items of equipment were purchased with grant funds, but \$136,880 of depreciation was recorded and some assets were disposed. There were no new capital leases or loans.

Property taxes assessed in 2003 increased approximately 64% over 2002. This is due to an increase in property tax passed during the 2002 election effective for 2003.

Table 1  
 Net Assets (Accrual Basis)

	<u>Governmental Activities</u>	
	2003	2002
Current assets	\$1,457,635	\$1,108,132
Capital assets (net of depreciation)	1,621,276	1,626,995
Total assets	3,078,911	2,735,127
Long-term debt outstanding (including capital leases)	(174,783)	(348,375)
Other liabilities	(258,565)	(45,093)

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2003

Total liabilities	(433,348)	(393,468)
Net assets:		
Invested in capital assets, (net of debt and depreciation)	1,443,411	1,396,946
Restricted	-0-	-0-
Unrestricted	1,202,152	944,713
Total net assets	\$2,645,563	\$2,341,659
Principal Reductions On Capital Leases	\$52,184	\$49,003

Table 2  
Changes in Net Assets (Accrual Basis)

	2003	2002
Revenues		
Program revenues:		
Charges for services	\$351,050	\$321,044
General revenues:		
Property taxes	870,556	525,432
Other general revenues	360,083	276,497
Total revenues	1,581,689	1,122,973
Program expenses		
Salaries and related benefits	814,142	700,384
Repairs and maintenance	37,502	35,007
Legal and professional	17,337	16,995
Rental – fire hydrants	18,215	16,713
Insurance	35,109	36,678

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2003

Depreciation	136,880	141,290
Supplies	56,129	55,506
Utilities	22,841	20,242
Interest on Capital Lease	11,731	15,107
Other	127,900	80,361
Total expenses	1,277,786	1,118,283
Increase (decrease) in net assets	\$303,903	\$4,690

The District's total revenues increased by 41% (\$458,716).

**THE DISTRICT'S FUNDS**

Governmental Funds (Modified Accrual): Table 3 shows the total cost and net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers for fire protection. The net cost represents the difference between the total costs and the user fees.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Totals	\$1,231,070	\$997,333	\$268,763	\$101,708

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2003

As the District completed the year, its governmental fund (as presented in the balance sheet on page 10) reported a combined fund balance of \$1,018,561, which is above last year's total of \$816,915.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised the budget three times. The budget was revised to allow for the purchase of portable rescue tools and breathing apparatus. The District received a grant to purchase three portable rescue tools to be placed on the fire engines. This grant was awarded after the budget was approved. The East Baton Rouge Sheriff's office started collecting user fees for the District. The budget was amended to reflect the resulting change in the timing of the receipt of these revenues. Instead of being billed and received in the summer, the user fees were added to the property tax bills delaying the receipt of most of the amounts until after year end. The District received a fire grant to purchase self contained breathing apparatus. This grant was awarded after the budget was approved.

The budget is based on anticipated cash flows. Taxes and user charges expected to be collected during the year are budgeted. Expenditures are budgeted based on expected payment dates. The budgetary comparison uses modified cash basis revenues and expenditures. Some differences are due to the fact that the "actual" amounts include items that were received or paid in a different year, but were earned or incurred in this year. The notes to the financial statements include a reconciliation from modified cash basis to GAAP (full accrual) basis.

#### Capital Asset and Debt Administration

##### Capital Assets

At the end of 2003, the District had \$2.8 million invested in capital assets, including fire equipment, buildings, and land. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of just under \$ 103,309 (4%) over last year.

Central Fire Protection District No. 4  
 Management's Discussion and Analysis  
 For the year ended December 31, 2003

Table 4  
 Capital Assets at Year-end

	2003	2002
Land	\$159,018	\$159,018
Buildings and improvements	859,927	855,124
Equipment	<u>1,864,803</u>	<u>1,766,297</u>
Totals	\$2,883,748	\$2,780,439
Accumulated Depreciation	<u>(1,262,472)</u>	<u>(1,153,444)</u>
Net Book Value	<u>\$1,621,276</u>	<u>\$1,626,995</u>

There were few additions to or disposals of fixed assets in 2003. Most disposed items were scrapped. One was sold. The largest purchase in the year was air packs. A FEMA grant in the amount of \$88,200 paid the majority of the cost of the air packs.

Debt

At year-end, the District had \$177,865 in capital leases outstanding versus \$230,049 last year—a decrease of 22%. This lease is on two fire engines. The lease requires an annual payment of \$67,117, and is scheduled to be paid out in 2006. At the end of the lease, the District will own the equipment.

Other

The 2003 operating expenses include \$30,700 paid to upgrade a water main along Greenwell Springs Road from a connection at Denham Road to Greenwell Spring Hospital. Parish Water Company, Inc. agreed to upgrade from the planned 8-inch main to a 12-inch main at the District's request.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief William M. Porche, Central Fire Protection District No. 4, 11646 Sullivan Road, Baton Rouge, LA 70818.

CENTRAL FIRE PROTECTION DISTRICT NO 4  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2003

		Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$	61,120
Due from other governments (Note 3)		1,039,829
Property taxes receivable - Net (Note 3)		227,516
User charges receivable - Net (Note 3)		129,170
Capital Assets (Note 4):		
Land and buildings (net)		819,446
Equipment, (net)		801,830
Total Capital Assets (net of depreciation)		1,621,276
Total Assets	\$	3,078,911
<b>LIABILITIES</b>		
Accounts payable	\$	51,983
Accrued expenses and benefits payable		55,393
Long-term Liabilities (Note 9):		
Portion due or payable within one year:		
Capital leases		55,572
Portion due or payable after one year:		
Compensated absences payable		95,616
Net Pension Obligation		52,490
Capital leases		122,293
Total liabilities	\$	433,347
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		1,443,411
Unrestricted		1,202,153
Total net assets	\$	2,645,564

CENTRAL FIRE PROTECTION DISTRICT NO 4  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED DECEMBER 31, 2003

	<u>Expenses</u>	<u>Program Revenues</u> <u>Fees, Fines and</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expenses) Revenue and</u> <u>Changes in Net Assets</u>  <u>Governmental</u> <u>Activities</u>
<b>Governmental:</b>			
Fire protection:			
Payroll and Related Expenses	\$ 814,141		\$
Supplies	56,129		
Occupancy	38,736		
Equipment	185,102		
Other	171,945		
<b>Total Fire Protection Expenses</b>	<b>1,266,053</b>	<b>351,050</b>	<b>(915,003)</b>
Interest and fiscal charges	11,731		(11,731)
<b>Total governmental activities</b>	<b>\$ 1,277,784</b>	<b>\$ 351,050</b>	<b>\$ (926,734)</b>
 <b>General revenues:</b>			
Taxes:			
Property taxes, levied for fire protection			870,556
State supplemental pay			45,300
State revenue sharing			83,590
Insurance taxes			72,035
Transfers from city-parish			36,820
State rural development grant			24,990
FEMA grant			88,200
Interest			5,202
Miscellaneous			3,946
<b>Total general revenues and transfers</b>			<b>1,230,639</b>
<b>Change in net assets</b>			<b>303,905</b>
Net assets - beginning			2,341,659
<b>Net assets - ending</b>			<b>\$ 2,645,564</b>

CENTRAL FIRE PROTECTION DISTRICT NO 4  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2003

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 61,120
Due from other governments (Note 3)	1,039,829
Property taxes receivable - Net (Note 3)	227,516
User charges receivable - Net (Note 3)	129,170
Total Assets	\$ 1,457,635
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable	\$ 51,983
Accrued expenses and benefits payable	44,480
Deferred Revenue	342,611
Total liabilities	\$ 439,074
Fund balance:	
Unreserved	1,018,561
Total liabilities and fund balance	\$ 1,457,635

CENTRAL FIRE PROTECTION DISTRICT NO 4  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2003

Total *fund balance* for governmental fund \$ 1,018,561

Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	159,018	
Buildings (net of depreciation)		660,428	
Equipment (net of depreciation)		801,830	
<b>Total capital assets</b>		<b>1,621,276</b>	1,621,276

Some of the District's taxes and user fees will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

Property Taxes	\$	180,368	
Due from City Parish		55,727	
Service Fees		106,516	
		<b>342,611</b>	342,611

Capital leases, compensated absences and other long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on capital leases is not accrued in governmental funds, but rather is recognized in the statement of net assets.

Balances at December 31, 2003

Capital leases	\$	(177,865)	
Compensated Absences		(95,616)	
Accrued Interest on capital lease		(10,913)	
Net Pension Obligation		(52,490)	
<b>Total long term liabilities</b>		<b>(336,884)</b>	<b>(336,884)</b>

Total net assets of governmental activities \$ 2,645,564

CENTRAL FIRE PROTECTION DISTRICT NO 4  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR YEAR ENDED DECEMBER 31, 2003

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 800,155
Insurance taxes	72,035
Charges for services	341,373
Intergovernmental	276,598
Miscellaneous	9,672
Total revenues	1,499,833
<b>EXPENDITURES</b>	
Current:	
Fire Protection	1,231,070
Debt Service:	
Capital lease payments	52,184
Interest expense	14,933
Total expenditures	1,298,187
Excess (deficiency) of revenues over expenditures	201,646
Net changes in fund balance	201,646
Fund balance - beginning	816,915
Fund balance - ending	\$ 1,018,561

CENTRAL FIRE PROTECTION DISTRICT NO 4  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2003

Net change in *fund balance* - total governmental fund (page 12) \$ 201,646

The change in *net assets* for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities only the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (136,880) exceeded capital outlays (131,673) in the current period. (5,207)

Governmental funds report the proceeds from disposed assets. However, in the statement of activities the gain(loss) on these disposed assets are reported in Miscellaneous Income. Assets of \$28,364 were disposed of. Accumulated depreciation of \$27,852 was recorded for these particular assets. (512)

Repayment of capital lease principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. 52,184

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized for transactions that are normally not available within 60 days after year end. In the statement of activities however, which is presented on the accrual basis, revenues are reported regardless of when they are expected to be received. This amount combines the changes in deferred revenues in the following accounts:

Property Taxes	\$ 70,402	
Revenue Sharing	2,293	
User Fees	<u>9,677</u>	
		82,372

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This amount combines the following net changes:

Net Pension Obligation	\$ (20,715)	
Compensated absences	(9,065)	
Accrued Interest on capital lease	<u>3,202</u>	<u>(26,578)</u>

Change in net assets of governmental activities \$ 303,905

## Central Fire Protection District No. 4

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. FORMATION AND OPERATIONS

Central Fire Protection District No. 4 (the District) is a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana (the City/Parish). A five-member board governs the District. The board members are appointed by the City/Parish 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 30,400 individuals. The District employs approximately thirteen 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. No value is attributed to the volunteer services in the accompanying financial statements.

##### B. BASIS FOR PRESENTATION AND ACCOUNTING

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the District. The District's activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The government-wide financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes and user fees, are recorded in the year assessed.

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues include user fees paid by the property owners in the District.

*Fund Financial Statements:* The fund financial statements provide information about the District's activities, all of which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and user fees are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and net pension obligation which are recognized as expenditures only to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

*General fund.* This is the District's operating fund. It accounts for all financial resources of the District.

The accompanying financial statements of the District as of December 31, 2003 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:514 and the Louisiana Governmental Audit Guide.

## Central Fire Protection District No. 4

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 government. 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 primary government, or the other general governmental units that comprise the City/ Parish financial reporting entity.

##### D. CASH AND CASH EQUIVALENTS

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

##### E. BUDGET

The budget was prepared and approved by the board in 2002. There were three amendments to the 2003 budget. The Board of Commissioners approved the amendments in July, October, and December 2003.

The accompanying Budgetary Comparison Schedule 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, 2003 is presented below:

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGET (Continued)

	<u>General Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (260,706)
Adjustments:	
To adjust revenues for accruals:	
Property taxes	369,222
User charges	274,817
Revenue sharing	2,293
To adjust expenditures for accruals:	
Salaries	(51,351)
Interest on capital leases	(11,731)
To adjust capital outlay and depreciation:	
Capital Outlay	118,241
Depreciation	(136,880)
Budgeted Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 303,905</u>

F. CAPITAL ASSETS

Capital assets are recorded in the fund financial statements as expenditures at time of purchase and are capitalized in the Statement of Net Assets. All purchased capital 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 value on the date received. Assets over \$1,000 are capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, office equipment	5
Motor Vehicles (Fire trucks)	15
Buildings	40
Firefighting equipment	10
Radio, communications equipment	10

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. COMPENSATED ABSENCES

The District's policies relating to vacation, sick leave, and compensatory time is summarized as follows: Vacation leave is determined by the number of years of service and accrues each pay period. Accrued vacation 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, 1999. Hourly employees may accumulate up to 72 hours of vacation. Salaried employees may accumulate up to 240 hours of vacation.

In some cases employees can earn compensatory time in lieu of overtime. For each hour worked over the scheduled hours, the employee earns 1½ hours of compensatory time. Eligible employees may accumulate up to 72 hours of compensatory time.

No cash payment is made for unused sick time.

H. LONG-TERM OBLIGATIONS

Long-term obligations, including compensated absences, net pension obligation and capital leases, are expected to be financed from governmental funds.

I. FUND EQUITY

Fund balances consist of undesignated balances.

J. PROGRAM REVENUES

Program revenues consist of user charges. These are accounted for in the District's Statement of Activities as Fire Protection Revenues.

2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the District has cash and cash equivalents as follows:

	Book Balances	Bank Balances
Interest bearing demand deposits	<u>\$ 61,120</u>	<u>\$ 86,982</u>

Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these bank balances. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed 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. These deposits are secured from risk by \$100,000 of federal deposit insurance and approximately \$733,000 of pledged securities held by the trust department of the fiscal agent bank

Even though the pledged securities are considered uncollateralized 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.

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

3. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

The following is a summary of receivables at December 31, 2003:

	Property Taxes	User Charges	Due from Other Governments
Amounts receivable	\$266,516	\$215,270	\$1,039,829
Less estimated uncollectible amounts	(39,000)	(86,100)	-0-
Net property tax receivable	<u>\$227,516</u>	<u>\$129,170</u>	<u>\$1,039,829</u>

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

Due from other governments consists of property taxes and user fees collected by the sheriff's office and Louisiana Revenue Sharing amounts promised, but not yet remitted to the district.

4. CHANGES IN GENERAL FIXED ASSETS

	Equipment Under Capital		Land	Buildings	Accumulated Depreciation	Totals
	Lease	Equipment				
<u>Balance at December 31, 2002</u>	\$ 437,604	\$1,328,694	\$159,018	\$855,124	\$(1,153,445)	\$1,626,995
Additions	-0-	126,870	-0-	4,803	(136,880)	(5,207)
Disposals	-0-	(28,364)	-0-	-0-	27,852	(512)
<u>Balance at December 31, 2003</u>	<u>\$437,604</u>	<u>\$1,427,200</u>	<u>\$159,018</u>	<u>\$859,927</u>	<u>\$(1,262,473)</u>	<u>\$1,621,276</u>

Depreciation expense recorded for the year ended December 31, 2003 was \$136,880.

5. COMPENSATED ABSENCES

At December 31, 2003 employees of the District have accumulated and vested \$95,616 of vacation benefits and compensatory time.

6. 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 governments".

The 2003 property tax calendar was as follows:

Levy date	November 26, 2002
Millage rates adopted	November 26, 2002
Tax Notices Mailed	December 1, 2003
Due date	December 31, 2003
Lien date	January 1, 2004

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, a substantial portion of the taxes are collected by year-end.

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

6. PROPERTY TAX REVENUES (Continued)

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, are not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the property taxes receivable are recorded on the government wide financial statements.

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. The property taxes collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

7. USER CHARGES

The District is empowered to assess a user charge of \$32 for each residential and commercial structure in the District. During 2003 the District entered into an agreement for the sheriff to place the user charges on the property tax statements. They are subject to the same enforcement procedures as property taxes.

An allowance for uncollectible user charges is deducted from the gross user charges assessed and recorded in the current year. Uncollectible user charges are those user charges which, based on historical data, are not expected to be collected in the subsequent year. All of the user charges receivable are recorded on the government wide statements.

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. The user charges collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

8. LEASES

The District maintains two trucks under a capital lease as an asset and obligation in the accompanying financial statements. The following is a summary of future minimum lease payments under this lease:

2004	\$67,117
2005	67,117
2006	<u>67,117</u>
Total Lease payments	201,351
Less: Amount representing interest	<u>(23,489)</u>
Present value of net minimum lease payments	<u>\$ 177,865</u>

The required payments on the capital lease obligation scheduled for 2004 on this lease total \$67,117. The interest portion and lease obligation portion of this payment is \$11,545 and \$55,572, respectively. The interest on this capital lease is reported as a governmental expense. In 2003 the interest expense was \$11,731.

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:

2004	\$8,665
2005	<u>1,400</u>
Total Minimum Payments	<u>\$10,065</u>

Rental expense on buildings and equipment totaled \$10,150 in 2003. Fire hydrant rental for the period was \$18,215.

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

9. 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, 2002	\$86,551	\$31,775	\$230,049	\$348,375
Adjustment of net pension obligation	-	20,715	-	20,715
Increase in compensated absences – 2003	9,065	-	-	9,065
Principal reduction on capital leases	-	-	(52,184)	(52,184)
Balance at December 31, 2003	<u>\$95,616</u>	<u>\$52,490</u>	<u>\$177,865</u>	<u>\$325,971</u>

\$55,572 of the capital lease is due within one year.

10. LITIGATIONS AND CLAIMS

The District is part of a lawsuit with the State Firefighters Retirement system. The lawsuit stems from retirement rate increases the District maintains are unconstitutional. The current status of the lawsuit is the District is to pay 9% for participants. However, if the verdict is reversed on appeal, the District may have to pay between 21% and 24% for participants since the beginning of the lawsuit. The accompanying financial statements include an accrual of \$11,178 for this probable liability.

One of the District's employees is part of a lawsuit for a vehicular accident. The District is trying to get this case dismissed. If the District's employee is liable for this accident, the District's insurance will cover any expenses. Therefore, no contingency for this particular lawsuit is recorded.

11. PENSION PLAN

Plan description of Employees' Retirement System of the City of Baton Rouge

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.

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.

## Central Fire Protection District No. 4

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### 11. PENSION PLAN (Continued)

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:

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

Prior to 1999, any person who became a regular full-time employee of the District became a member of the Retirement System as a condition of employment. Those employees have remained participants in this plan. 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 February 23, 2000, August 26, 2000, and December 31, 2001 (Ordinance 11827) and July 1, 2002.

Funding Policy Under the current plan, both employee and employer contributions are made to fund the system. Employees make a mandatory contribution of 8% of gross earnings while the 2003 employer contribution rate was 16.66%.

The pension benefit obligation uses 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% per year, compounded annually, (b) projected salary increases of 5% per year compounded annually, attributable to inflation, (c) additional projected salary increases based on seniority and merit, and (d) no post-retirement benefit increases.

On the December 31, 2002 financial statements of the Retirement System the unfunded pension benefit obligation, determined through an actuarial valuation performed on December 31, 2002, was approximately \$230 million. The District's 2002 contribution represented less than 1% of total contributions required of all participating entities. For the year ended December 31, 2002, the total annual required contribution was \$16,110,422.

Central Fire Protection District No. 4

Notes to the Financial Statements  
For the Year Ended December 31, 2003

11. PENSION PLAN (Continued)

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. Beginning January 1, 2002, the expected value method with 20% of investment gain or (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:	22 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 2003, the District contributed \$46,981 and the employees contributed \$22,803 on payroll of approximately \$285,000. Total payroll for all employees totaled \$607,569 including \$45,300 in state supplemental pay.

Two years of information regarding the funding progress is included in the separately issued December 31, 2003 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 2003. There is no one entitled to receive benefits that are not yet receiving them.

The most current actuarial report, as of December 31, 2002, calculated the district's portion of the net pension obligation (NPO) of the plan to be approximately \$19,775. An increase in the NPO was recorded in the governmental activities statement, bringing the total NPO recorded at December 31, 2002 to \$31,775.

Three-Year Trend Information for the District

Fiscal Year	Annual Pension Cost	Actual Contribution	Increase (Decrease) in NPO
2000	26,567	14,373	12,194
2001	43,805	33,336	10,469
2002	52,469	52,340	15,522

The annual pension costs for 2002 consists of the following components:

Actuarially Required Contributions (ARC)	\$52,340
Interest on Net Pension Obligation	1,582
Adjustments to ARC	(1,453)
Annual Pension Costs	<u>\$52,469</u>

Firefighters' Retirement System Pension Plan

Plan Description. The District also contributes to the Firefighters' Retirement System Pension Plan (Plan), a cost-sharing, multiple-employer, defined benefit pension plan. Any person who became a regular full time employee of the District after 1998 became a member of this system. The retirement system was placed under

## Central Fire Protection District No. 4

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### 11. PENSION PLAN (Continued)

the management of a board of trustees. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Membership in the Louisiana Firefighter's Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 9% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the years ending December 2003, 2002, and 2001 were \$24,687, \$31,256, and \$12,252, respectively. Employee contributions to the System for the years ending December 31, 2003, 2002, and 2001 were \$15,914, \$14,027, and \$10,890, respectively.

#### 12. 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 2003 totaled \$43.

#### 13. SUPPLEMENTAL SALARIES

During the year, the full time employees received additional pay in the amount of \$45,300 from the State of Louisiana. This amount was recorded in revenue as intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.

#### 14. CONTINGENT LIABILITY

The Firefighter's Retirement System (See Note 12) is a "Non Qualified Plan" under the Internal Revenue Code. The District's contributions to this system have not been included in the taxable wages of the employees. This could subject the District to possible penalties as well as being required to remit appropriate taxes to the Internal Revenue Service. The potential tax liability is approximately \$9,000 as of December 31, 2003. There has been no communication from the Internal Revenue Service requiring the payment of these taxes. Therefore no amounts have been accrued in the accompanying financial statements.

Central Fire Protection District No. 4

**Notes to the Financial Statements  
For the Year Ended December 31, 2003**

15. OTHER COMMITMENTS

The Board approved an agreement with Parish Water Company to upgrade a water main already planned to be built on Greenwell Springs Road. The agreement requires the District to pay for the upgrade of this new water main using funds generated from a 5 mill property tax approved by the voters in late 2002. This project was completed during 2003. Payment in the amount of \$30,700 was made in 2004. This amount is included in the accompanying financial statements as an account payable at December 31, 2003.

**Central Fire Protection District No. 4  
Year Ended December 31, 2003  
Required Supplementary Information**

CENTRAL FIRE PROTECTION DISTRICT NO 4  
 Non GAAP Basis  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non GAAP)</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 510,000	\$ 510,000	\$ 501,431	\$ (8,569)
Insurance taxes	65,000	65,000	72,035	7,035
Charges for services	302,000	54,000	52,935	(1,065)
Intergovernmental	163,120	276,310	276,608	298
Miscellaneous	7,500	7,500	9,052	1,552
Total revenues	<u>1,047,620</u>	<u>912,810</u>	<u>912,061</u>	<u>(749)</u>
<b>EXPENDITURES</b>				
Salaries and related benefits	830,450	830,450	773,735	56,715
Repairs and maintenance	33,000	33,000	68,202	(35,202)
Legal and Professional	17,500	17,500	17,337	163
Rentals	27,400	27,400	28,364	(964)
Insurance	39,600	39,600	35,109	4,491
Supplies	67,000	67,000	56,129	10,871
Utilities	19,000	19,000	22,841	(3,841)
Capital outlay	-	113,190	118,240	(5,050)
Other	66,750	66,750	52,810	13,940
Total expenditures	<u>1,100,700</u>	<u>1,213,890</u>	<u>1,172,767</u>	<u>41,123</u>
Excess (deficiency) of revenues over expenditures	(53,080)	(301,080)	(260,706)	40,374
<b>OTHER FINANCIANG SOURCES (USES)</b>				
Capital leases	67,120	67,120	67,120	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financiing sources (uses)	<u>67,120.00</u>	<u>67,120.00</u>	<u>67,120.00</u>	<u>-</u>
Net changes in fund balances	<u>(120,200.00)</u>	<u>(368,200)</u>	<u>(327,826)</u>	<u>40,374</u>
Fund balance - beginning	769,780	769,780	769,780	0
Fund balance - ending	<u>\$ 649,580</u>	<u>\$ 401,580</u>	<u>\$ 441,954</u>	<u>\$ 40,374</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC  
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 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 and for the year ended December 31, 2003 which collectively compromise the District's basic financial statements as listed in the table of contents and have issued my report thereon dated March 9, 2004. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 basic 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 my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below:

**I. Contributions to Non-qualified Retirement Plan**

The District contributes to the State Firefighters' Retirement System on behalf of certain employees. Management has indicated that the Retirement System is not a "Qualified Plan". This could also result in a portion of the participants' withdrawals from the plan being subjected to income taxes. Further, the contributions are not included in the taxable wages of the employees. This could result in penalties being assessed by the Internal Revenue Service. This was reported as a compliance issue in the prior year.

**Management Response:**

Management has requested that the State Firefighter's Retirement System take appropriate action in order to become a "Qualified Plan".

**II. Expense Procedures**

- A. Once check of an amount exceeding \$5,000 contained only one signature. The expenditure was for employee health insurance.
- B. Some expenses were paid from the statements and not from invoices. This could result in the District paying for items twice. This appeared to be isolated incidents.

Management Response:

We will reconcile all invoices to the monthly statements. All checks over \$5,000 will be signed by two parties, as required by the policy.

**Summary of Prior Year Findings**

- I. In the prior year, it was reported that there was no beginning fund balance in the budget documents. This issue was corrected during 2003. The District has now been placed the item in their budget.

**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 basic 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:

**Organizational Structure**

As noted in prior years, the size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

Management Response:

The Board of Directors routinely reviews the financial reports and believes its level of oversight mitigates the need for additional segregation of duties.

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 basic 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.

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

This report is intended solely for the information and use of management, the Board of Commissioners and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

**Karen Johnson, CPA, APAC**

March 9, 2004