

OFFICIAL  
FILE COPY  
DO NOT SEND OUT

(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
COMPONENT UNIT FINANCIAL STATEMENT  
AND INDEPENDENT AUDITORS' REPORTS  
YEAR END DECEMBER 31, 1995

RECEIVED  
LEGISLATIVE AUDITOR  
96 JUN 28 PM 1:34

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

Release Date 9-4-96



**BEACHAM & BEACHAM**

Certified Public Accountants

A Professional Corporation

Baton Rouge, Louisiana

# BEACHAM & BEACHAM

Certified Public Accountants

A Professional Corporation

1737 Oakdale Drive

Baton Rouge, Louisiana 70810 (504) 769-9100

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
St. George Fire Protection District  
Baton Rouge, Louisiana

We have audited the accompanying component unit financial statements of the St. George Fire Protection District No. 2, as of December 31, 1995, and for the year then ended. These component unit financial statements are the responsibility of the St. George Fire Protection District No. 2. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. George Fire Protection District No. 2, as of December 31, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Beacham & Beacham*

May 10, 1996

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
ALL FUNDS TYPES AND ACCOUNT GROUPS

EXHIBIT 1

Balance Sheet, December 31, 1995

	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS		Totals (Memorandum Only)
	General	General Fixed Assets	General Long-Term Debt		
<b>ASSETS AND OTHER DEBITS</b>					
Assets:					
Current Assets					
Cash and cash equivalents	\$199,163	\$0	\$0		\$199,163
Property taxes receivable - net	608,337	0	0		\$608,337
Due from other governments	268,880	0	0		\$268,880
Fixed Assets					
Land	0	65,906	0		\$65,906
Buildings	0	957,748	0		\$957,748
Equipment	0	2,518,776	0		\$2,518,776
Equipment under capital leases	0	388,795	0		\$388,795
Other Debits:					
Amount to be provided for retirement of long term debt	0	0	1,342,426		1,342,426
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$1,076,380</u></b>	<b><u>\$3,931,225</u></b>	<b><u>\$1,342,426</u></b>		<b><u>\$6,350,031</u></b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>					
Current Liabilities:					
Accounts and accrued expenses	\$12,987	\$0	\$0		\$12,987
Long-Term Liabilities					
Revenue bonds payables	0	0	1,110,655		\$1,110,655
Compensated absence payable	0	0	41,935		\$41,935
Obligation under capital leases	0	0	189,836		\$189,836
<b>Total Liabilities</b>	<b><u>12,987</u></b>	<b><u>0</u></b>	<b><u>1,342,426</u></b>		<b><u>1,355,413</u></b>
Equity and Other Credits:					
Investment in general fixed assets	0	3,931,225	0		\$3,931,225
Fund Balances:					
Designated for capital outlay	0	0	0		\$0
Undesignated	1,063,393	0	0		\$1,063,393
<b>Total equity and other credits</b>	<b><u>1,063,393</u></b>	<b><u>3,931,225</u></b>	<b><u>0</u></b>		<b><u>4,994,618</u></b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b><u>\$1,076,380</u></b>	<b><u>\$3,931,225</u></b>	<b><u>\$1,342,426</u></b>		<b><u>\$6,350,031</u></b>

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year ended December 31, 1995

	General Fund	Capital Projects	Total (Memorandum Only)
<b>REVENUES</b>			
Ad valorem taxes	\$877,026	\$0	\$877,026
Fire protection user charges	766,128	0	\$766,128
Intergovernmental revenues	453,528	0	\$453,528
Other	762	0	\$762
Interest earnings	15,162	13,165	\$28,327
Total revenues	<u>2,112,606</u>	<u>13,165</u>	<u>2,125,771</u>
<b>EXPENDITURES</b>			
Salaries and related benefits	1,058,698	0	\$1,058,698
Repairs and maintenance	79,204	0	\$79,204
Legal and professional	16,024	0	\$16,024
Insurance	66,255	0	\$66,255
Contractual services	60,750	0	\$60,750
Supplies	88,181	0	\$88,181
Rental	101,161	0	\$101,161
Capital Outlay	1,231,625	0	\$1,231,625
Utilities	35,920	0	\$35,920
Debt service	222,859	0	\$222,859
Other	41,879	0	\$41,879
Total expenditures	<u>3,002,556</u>	<u>0</u>	<u>3,002,556</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(889,950)</u>	<u>13,165</u>	<u>(876,785)</u>
<b>OTHER FINANCING SOURCES</b>			
Capital leases	0	0	\$0
Operating transfer in (net)	935,268	0	935,268
Proceeds of General Fixed Asset Disposition	119,008	0	119,008
Proceeds of revenue bond	0	0	0
Change for increase in compensated absences accrued	8,609	0	8,609
Total other financing sources	<u>1,062,885</u>	<u>0</u>	<u>1,062,885</u>
<b>OTHER FINANCING USES</b>			
Operating transfers out (net)	0	(935,268)	(935,268)
Total other financing uses	<u>0</u>	<u>(935,268)</u>	<u>(935,268)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	172,935	(922,103)	(749,168)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>890,458</u>	<u>922,103</u>	<u>1,812,561</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$1,063,393</u>	<u>\$0</u>	<u>\$1,063,393</u>

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

ST. GEORGE FIRE PROTECTION DISTRICT  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
GOVERNMENTAL FUNDS - GENERAL FUND

Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget  
(GAAP/Non-GAAP Basis) and Actual - General Fund  
Year Ended December 31, 1995

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$827,648	\$877,026	\$49,378
Fire protection user charges	675,000	766,128	\$91,128
Intergovernmental revenues	296,330	300,371	\$4,041
Other	650	762	\$112
Interest earnings	17,600	15,162	(\$2,438)
Total revenues	<u>1,817,228</u>	<u>1,959,449</u>	<u>142,221</u>
<b>EXPENDITURES</b>			
Contractual services	71,632	79,969	(\$8,337)
Salaries and related benefits	1,038,762	1,058,698	(\$19,936)
Repairs and maintenance	60,575	79,204	(\$18,629)
Legal and professional	17,545	16,024	\$1,521
Insurance	66,313	66,255	\$58
Rentals	103,168	101,160	\$2,008
Supplies	96,430	88,181	\$8,249
Utilities	28,000	23,920	\$4,080
Capital Outlay	1,092,827	1,065,303	\$27,524
Debt service	224,110	222,859	\$1,251
Other	30,105	34,661	(\$4,556)
Total expenditures	<u>2,829,467</u>	<u>2,836,234</u>	<u>(6,767)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,012,239)</u>	<u>(876,785)</u>	<u>135,454</u>
<b>OTHER FINANCING SOURCES</b>			
Capital leases	0	0	\$0
Operating transfer in (net)	922,103	922,103	\$0
Proceeds of General Fixed Asset Disposition	119,008	119,008	\$0
Change for increase in compensated absences accrue	0	8,609	\$8,609
Total other financing sources	<u>1,041,111</u>	<u>1,049,720</u>	<u>8,609</u>
<b>OTHER FINANCING USES</b>			
Operating transfers out (net)	0	0	0
Total other financing uses	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>28,872</u>	<u>172,935</u>	<u>\$144,063</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>890,458</u>	<u>890,458</u>	<u>0</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>919,330</u>	<u>1,063,393</u>	<u>144,063</u>

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

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Noted to the Financial Statements  
For the Year Ended December 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FORMATION AND OPERATIONS

St. George Fire Protection District No. 2 is a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana. The District is governed by a five member board. The board members are appointed by the City/Parish and are not compensated.

Pursuant to an intergovernmental agreement between the City/Parish and the District, effective January 1, 1994, the District became a separate operation unit acting independently from the City/Parish system.

The purpose of the District is to provide fire protection for the citizens of the District. The district serves approximately 65,000 individuals. The District employs seven permanent full-time employees and 60-65 permanent part-time employees.

B. BASIS FOR PRESENTATION

The accompanying financial statements of the St. George Fire Protection District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

C. REPORTING ENTITY

As the governing authority, for reporting purposes, the City/Parish primary financial reporting entity. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which 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 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 the funds maintained by the District and do not present information on the City/Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### D. FUND ACCOUNTING

The district uses funds and account groups to report in its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

The Capital Projects Fund is used to account for the financial resources retained and used for the purpose of purchasing new firefighting equipment and to consolidate various capital lease obligations. This fund was established as required by the long term certificate of indebtedness related to the obligation. The equipment purchase and related capital lease obligation repayment should be completed during 1995.

#### 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 sheets. The modified accrual basis of accounting is used by the Governmental Funds. Revenues are recognized in the accounting period in which they become available and measurable.

Property taxes are considered measurable in the calendar year of the tax levy. User fees are considered measurable in the period they are collected. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Transfer 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 in 1994 in anticipation of the intergovernmental agreement. The budget was prepared by the Chief, and ratified by the Board of Commissioners. The format of the budget was prepared is such that the General Fund and Capital Projects Fund expenditures and resource are combined. A public hearing was held in December, 1994, and the budget became effective January 1, 1995. The budget was amended in June, 1995.

#### G. ENCUMBRANCES

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

#### H. CASH AND CASH EQUIVALENTS

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

#### I. FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated.

#### J. LONG-TERM OBLIGATIONS

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

#### K. FUND EQUITY

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

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

#### L. 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, 1995, the District has cash and cash equivalents (book balances) as follows:

Certificate of deposit	\$ 199,163
Interest-bearing demand deposits	<u>-0-</u>
Total	\$ <u>199,163</u>

These deposits are stated at cost, which approximate market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that mutually acceptable to both parties. At December 31, 1995, the District has \$218,741 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

3. PENSION PLAN

The District, as well as covered employees, make contributions to the Employees' Retirement System of the City of Baton Rouge and the Parish of East Baton Rouge. This is a defined-benefit cost sharing multiple-employer pension plan that provides retirement benefits for the East Baton Rouge Recreation and Parks Commission, East Baton Rouge Parish Family Court Judicial Expense Fund, East Baton Rouge Juvenile Court Judicial Expense Fund, and other East Baton Rouge Fire Protection Districts.

The Board of Trustees of the Retirement System was created by the City of Baton Rouge and the Parish of East Baton Rouge 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 to the Metropolitan Council. All administrative expenses of the Retirement System are paid from funds of the system, and the board issues its own financial statements on an annual basis.

Any person who becomes a regular full-time employee of the District becomes a member of the Retirement System as a condition of employment. Benefits payment are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. Full retirement benefits are granted with 25 years service, regardless of age while minimum eligibility benefits are granted at age 55 with 10 years of service, or 20 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 36 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 service is less than 25 years.

The Plan of Government requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employee and employer contributions are made to properly fund the system. Employees make a mandatory contribution of 8% of gross earnings while the current employer contribution rate is 12.5% 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 increase and step-rate benefits, estimated to be payable in the future as a result of employee service to date as defined by GASB Statement No. 5. The measure, which is the actuarial present value of credited projected benefits, is intended to help user 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. The Retirement System does not make separate measurements of assets and pension benefit obligations for individual employers. Significant actuarial assumptions used include : (a) a rate of return on the investment of present and future assets of 7.75% per year in 1995 and 1994, compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases based on years of service and age attributable to seniority and merit, and (d) no post-retirement benefit increases. The pension benefit obligation of the Retirement System is based on the standardized measurement established by GASB Statement No. 5 and is independent of the actuarial computation made to determine contributions to the system.

On December 31, 1995, the pension benefit obligation, determined through an actuarial valuation performed at that date at that date, was \$519 million. The System's net assets available for benefits on that date was \$468 million, leaving an unfunded pension benefit obligation of \$51 million. The District's 1995 contribution represented less than 1% of total contributions required of all participating entities. The District's covered salaries for 1995 were \$193,619 with employee contributions of \$15,490 and employer contributions of \$24,202.

4. PROPERTY TAX RECEIVABLE

The following is a summary of receivables at December 31, 1995:

Property tax receivable	\$ 652,733
Less allowance for uncollectible accounts	( 44,396)
Net property tax receivables	\$ <u>608,337</u>

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

5. CHANGES IN GENERAL FIXED ASSETS

	Equipment Under Capital <u>Lease</u>	<u>Equipment</u>	<u>Land</u>	<u>Buildings</u>	<u>Totals</u>
<u>Beginning balance</u>	\$388,795	\$1,592,111	\$65,906	\$957,748	\$3,004,560
Additions/Adjustments	0	1,231,625	0	0	1,231,625
Disposal/Adjustments	<u>0</u>	<u>(304,960)</u>	<u>0</u>	<u>0</u>	<u>(304,960)</u>
<u>Balance at 12/31/94</u>	<u>\$388,795</u>	<u>\$2,518,776</u>	<u>\$65,906</u>	<u>\$957,748</u>	<u>\$ 3,931,225</u>

6. COMPENSATED ABSENCES

At December 31, 1995, employees of the District have accumulated and vested \$41,935 of vacation benefits, which was computed in accordance with GASB Codification Section C60. This amount is recorded within the general long-term obligation account group.

7. LEASES

The District maintains various equipment under capital leases recorded assets and obligations in the accompanying financial statements. The following is a summary of future minimum lease payments under this lease:

1996	\$ 57,955
1997	57,955
1998	57,955
1999	57,954
2000	<u>-0-</u>
	231,819
Less: Amount representing interest	( 41,983)
Present value of net minimum lease payments	\$ <u>189,836</u>

8. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Bonded Debt</u>	<u>Totals</u>
<u>Beginning Balance</u>	\$ 33,326	\$230,707	\$ 1,200,000	\$ 1,464,033
Additions	8,609	0	0	8,609
Deductions	<u>0</u>	<u>(40,871)</u>	<u>(89,345)</u>	<u>(130,216)</u>
<u>Balance at 12/31/95</u>	<u>\$ 41,935</u>	<u>\$189,836</u>	<u>\$1,110,655</u>	<u>\$1,342,426</u>

During 1994 the District issued a long-term certificate of indebtedness to a local bank in the amount of \$1,200,000, payable over a 10-year period at a rate of 6.2%. The proceeds were used to repay various capital leases and to acquire firefighting equipment. During 1994 the District paid off capital leases in the amount of \$265,638 from the bond proceeds. In 1995 the remaining funds were used for the acquisition of various equipment. The certificate is secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges in each of the fiscal years during which the certificate is outstanding.

The annual requirements to amortize all bonds outstanding at December 31, 1995, including interest of \$349,112, are as follows:

Year Ending

1996	\$ 163,103
1997	162,909
1998	162,701
1999	162,481
2000	162,247
2001	161,997
2002	161,731
2003	161,449
2004	<u>161,149</u>

\$1,459,767

9. RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year ended December 31, 1995.

10. LITIGATION AND CLAIMS

The District is involved in a single lawsuit involving personal injuries arising out of a motor vehicle accident. They are also potential defendants in another litigation, although to date they have not been named. Both claims are disputed and will be aggressively defended although the outcome cannot be determined. Any potential claims are deemed to be well within insurance policy limits. In Management's view any potential outcome will not have a material adverse effect on the financial position of the District.

# BEACHAM & BEACHAM

Certified Public Accountants

A Professional Corporation

1737 Oakdale Drive

Baton Rouge, Louisiana 70810 (504) 769-9100

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED IN ACCORDANCE  
WITH "GOVERNMENTAL AUDITING STANDARDS"

To the Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, Louisiana

We have audited the accompanying component unit financial statements of St. George Fire Protection District No. 2, for the year ended December 31, 1995, and have issued our report thereon dated May 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of St. George Fire Protection District, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimated and judgements by management are required to assess the expected benefits and related costs on internal control structure policies and procedures. The objectives of an intern control structure are to provide management with reasonable, but not absolute , assurance that assets are safeguards against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, error or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of St. George Fire Protection District No. 2, for the year ended December 31, 1995, we considered its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide and opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of the internal control structure and its operation that we consider to be material weakness as defined above.

This report is intended for the information of St. George Fire Protection District No. 2, and the Office of Legislative Auditor, State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Beucham & Beucham*

May 10, 1996

# BEACHAM & BEACHAM

Certified Public Accountants

A Professional Corporation

1737 Oakdale Drive

Baton Rouge, Louisiana 70810 (504) 769-9100

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH "GOVERNMENTAL AUDITING STANDARDS"

To the Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, Louisiana

We have audited the accompanying component unit financial statements of St. George Fire Protection District No. 2, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to St. George Fire Protection District No. 2, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such opinion.

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

This report is intended for the information of St. George Fire Protection District No. 2, and the Office of Legislative Auditor, State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Beacham & Beacham*

May 10, 1996