

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

General Purpose Financial Statements
 As of and for the year ended
 December 31, 1998
 With supplemental Information Schedule

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TABLE OF CONTENTS

	<u>Statement</u>	<u>Page No.</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Balance Sheet - All Fund Types and Account Groups as of December 31, 1998	A	2
Governmental Fund Type:		
Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ended December 31, 1998	B	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - for the year ended December 31, 1998	C	4
Notes to Financial Statements		5 - 12
Other Report Required by:		
Government Auditing Standards		
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards		13 - 14

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

Release Date APR 21 1999

MICHAEL K. GLOVER
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general purpose financial statements of the St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the St. George Fire Protection District No. 2 management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of December 31, 1998, and the results of operations for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 3, 1999, on my consideration of the St. George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contract and grants.



Baton Rouge, LA
March 3, 1999

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

STATEMENT A

Balance Sheet
December 31, 1998

	<u>GOVERNMENTAL FUND TYPES</u>		<u>ACCOUNT GROUPS</u>		<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL FUND</u>	<u>CAPITAL PROJECT</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM OBLIGATIONS</u>	
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents	\$1,937,858				\$1,937,858
Cash - restricted (Note 4)	17,000				17,000
Receivable (Note 3)	2,872,644				2,872,644
Due from general fund (Note 5)	(1,873,825)	1,873,825			
Land, buildings, and equipment (Note 6)			3,645,817		3,645,817
Deposit	1,000				1,000
Other debits - amount to be provided for retirement of general long-term obligations (Note 8)				3,019,363	3,019,363
TOTAL ASSETS AND OTHER DEBITS	<u>\$2,954,677</u>	<u>1,873,825</u>	<u>3,645,817</u>	<u>3,019,363</u>	<u>\$11,493,682</u>
LIABILITIES, EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$83,981				\$83,881
Payroll taxes payable	2,643				2,643
Note payable (Note 10)	100,000				100,000
Compensated absences payable (Note 7)				108,443	108,443
Capital lease obligations (Note 7 and 8)				104,098	104,098
Bonds payable (Note 7)				2,806,822	2,806,822
	<u>186,524</u>			<u>3,019,363</u>	<u>3,205,887</u>
Equity and Other Credits:					
Investment in general fixed assets (Note 6)			3,645,817		3,645,817
Fund balances:					
Designated (Note 11)		1,873,825			1,873,825
Unreserved - undesignated	2,768,153				2,768,153
Total Equity and Other Credits	<u>2,768,153</u>	<u>1,873,825</u>	<u>3,645,817</u>		<u>8,287,795</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$2,954,677</u>	<u>1,873,825</u>	<u>3,645,817</u>	<u>3,019,363</u>	<u>\$11,493,682</u>

The accompanying notes are an integral part of this statement.

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

STATEMENT B

Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 1998

	GENERAL FUND	CAPITAL PROJECT	TOTAL (MEMORANDUM ONLY)
REVENUES			
Ad valorem taxes	\$3,061,853		3,061,853
Service charge	695,418		695,418
Intergovernmental revenues:			
State revenue sharing	199,413		199,413
Fire insurance tax	105,081		105,081
East Baton Rouge City Parish	25,000		25,000
Interest income	22,945		22,945
Miscellaneous	6,164		6,164
Total revenues	<u>4,115,874</u>		<u>4,115,874</u>
EXPENDITURES:			
Public safety:			
Personnel services and related benefits	1,463,131		1,463,131
Repairs and maintenance	85,495		85,495
Legal and professional	18,794		18,794
Insurance	59,351		59,351
Contractual services	109,239	21,875	131,114
Office supplies	14,212		14,212
Supplies	76,339		76,339
Rental (Note 9)	114,927		114,927
Capital outlay	25,317	121,300	146,617
Utilities	34,480		34,480
Debt service	163,052		163,052
Other	16,829		16,829
Total expenditures	<u>2,181,166</u>	<u>143,175</u>	<u>2,324,341</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,934,708	(143,175)	1,791,533
OTHER FINANCING SOURCES			
Transfers from General Fund		2,017,000	2,017,000
Sale of assets	4,725		4,725
	<u>4,725</u>	<u>2,017,000</u>	<u>2,021,725</u>
FUND BALANCES AT BEGINNING OF YEAR	828,720	0	828,720
FUND BALANCES AT END OF YEAR	<u>\$2,768,153</u>	<u>1,873,825</u>	<u>\$4,641,978</u>

The accompanying notes are an integral part of this statement.

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

STATEMENT C

Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget
(GAAP Basis) and Actual
For the Year Ended December 31, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Ad valorem taxes	\$2,484,608	3,061,853	577,245
Fire protection user charges	725,000	695,418	(29,582)
Intergovernmental revenues	323,000	329,494	6,494
Interest income	17,000	22,945	5,945
Other	6,700	6,164	(536)
Total revenues	<u>3,556,308</u>	<u>4,115,874</u>	<u>559,566</u>
EXPENDITURES:			
Personnel services and related benefits	1,339,800	1,463,131	(123,331)
Repairs and maintenance	64,300	85,495	(21,195)
Legal and professional	13,400	18,794	(5,394)
Insurance	59,200	59,351	(151)
Contractual services	87,500	109,239	(21,739)
Office supplies	6,600	14,212	(7,612)
Supplies	90,169	76,339	13,830
Rental	112,550	114,927	(2,377)
Capital outlay	0	25,317	(25,317)
Utilities	45,700	34,480	11,220
Debt service	222,000	163,052	58,948
Other	6,000	16,829	(10,829)
Total expenditures	<u>2,047,219</u>	<u>2,181,166</u>	<u>(133,947)</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,509,089	1,934,708	425,619
OTHER FINANCING SOURCES			
Sale of assets	0	4,725	4,725
FUND BALANCES AT BEGINNING OF YEAR	828,720	828,720	
FUND BALANCES AT END OF YEAR	<u>\$2,337,809</u>	<u>2,768,153</u>	<u>\$430,344</u>

The accompanying notes are an integral part of this statement.

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

Notes to Financial Statements
As of and for the Year ended December 31, 1998

INTRODUCTION

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that will govern the St. George Fire Protection District pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions. The Louisiana Constitution of 1974 permits the board member to be paid per diem for attending the Board meetings and expenses in accordance with L.R.S. 40:1498; however, the board members are presently not being paid the permitted compensation.

The St. George Fire Protection District No. 2 presently has six stations to provide fire protection for individuals within their district. This District employees approximately 20 full time employees and 57 part-time employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of St. George Fire Protection District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the City of Baton Rouge is the financial reporting entity for the Parish of East Baton Rouge. GASB Statement No. 14 established criteria for determining which component units should be considered part of the City of Baton Rouge and East Baton Rouge Parish for financial reporting purposes. The basis 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. The criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Metropolitan Council of the Parish of East Baton Rouge to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Metropolitan Council.
2. Organizations for which the Metropolitan Council does not appoint a voting majority but are fiscally dependent on the metropolitan council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significant of the relationship.

B. REPORTING ENTITY (CON'T)

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

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

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group 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.

Funds of the District are classified as governmental funds. Governmental funds account for district's general activities, including the collection and disbursement of specific or legally restricted monies, the construction of two additional fire stations, the acquisition or general fixed assets, and the servicing of general long-term debt. Governmental Funds of the district includes:

General Fund--the general fund is the operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

Capital Project Fund--this fund will account for the acquisition of general fixed assets, the construction of two new fire stations from expenditures of debt proceeds and the construction of a fire safety house.

D. 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. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the service charge are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. The calendar for the 1998 ad valorem tax roll was as follows:

	<u>Ad valorem taxes</u>	<u>Service charge</u>
Levy date	January 1, 1998	July 1, 1998
Due date	December 31, 1998	October 31, 1998
Lien date	January 1, 1999	December 8, 1998
Collection date	December 3, 1998	August 4, 1998

State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the district is entitled to the funds.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

Encumbrances

Encumbrance accounting is used for the capital project fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the year but are carried forward as reserved fund balance until liquidated.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets (capital project fund) are accounted for as other financing sources and are recognized when received. Fixed assets acquired through capital leases are recorded as expenditures and other financing sources at the time of acquisition.

E. BUDGET PRACTICES

The proposed budget for 1998 was made available for public inspection on December 14, 1997. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on December 14, 1997, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

E. BUDGET PRACTICES - (CON'T)

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

F. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

Under state law, the districts may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents.

The account for restricted cash is a grant contributed for the purpose of constructing a fire safety house. The construction of this fire safety house will be accounted for in the Capital Project Fund.

G. FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. They are valued at historical cost or estimated cost if historical cost is not available. Approximately 99.3 per cent of the assets are valued at historical cost and .7 per cent are valued at estimated cost based on vendor estimates of prices at the time of purchase. No depreciation has been provided on general fixed assets.

I. COMPENSATED ABSENCES

This fire district has the following policy relating to vacation and sick leave:

Employees of this fire district earn from 1.5 to 2.5 days of annual leave each month and from 7.5 to 11 hours of sick leave each work period, depending on their length of service; however, before vacation time can be used, a waiting period of 360 calendar days must be completed. Every fireman employed by the fire protection district, shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than fifty-two weeks. Upon termination of employment, employees are paid for accrued annual leave up to the maximum accrual authorized. The plan assets remain the property of the fire district until paid or made available to participants, subject only to claims of the employer's general creditors.

The cost of leave privileges is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

J. TOTAL COLUMN ON STATEMENTS

The total column on the statements are captioned Memorandum Only to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles or results of operations.

2. LEVIED TAXES AND CHARGES

	AUTHORIZED MILLAGE/RATE	LEVIED MILLAGE	EXPIRATION DATE
Ad valorem taxes	10.00	10.00	2007
Service charge (maximum rate)	\$32.00	N/A	7/31/2001

Effective for the collection date December 3, 1998, ad valorem taxes were increased from 4% to 10%.

3. RECEIVABLES

Receivables as of December 31, 1998, are as follows:

<u>Class of Receivable</u>	
Ad valorem taxes	\$2,816,674
Service charge	<u>55,970</u>
	\$2,872,644
	=====

4. RESTRICTED ASSETS

Certain general fund assets are restricted for construction and the purchase of equipment funded through long-term debt and a grant received by a private donation for the construction of a fire safety house.

5. DUE TO OTHER FUNDS

The general fund borrowed \$2,000,000 to construct two additional fire stations and to purchase additional equipment and also received a grant from an outside entity of \$17,000 for the purpose of construction a fire safety house. These funds were deposited in the General Fund and will be accounted for in the Capital Project Fund. The unused balance is \$1,873,825.

6. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the period are as follows:

	BALANCE DECEMBER 31, <u>1997</u>	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, <u>1998</u>
Land	\$ 65,906	121,300		187,206
Buildings	962,521			962,521
Equipment under capital lease	422,511			422,511
Equipment	<u>2,077,707</u>	<u>25,317</u>	<u>29,445</u>	<u>2,073,579</u>
	\$3,528,645	146,617	29,445	3,645,817
	=====	=====	=====	=====

7. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations during the year ended December 31, 1998:

	Compensated <u>Absences</u>	Capital <u>Leases</u>	Bonds <u>Debt</u>	<u>Totals</u>
Balance, December 31, 1997	\$ 69,273	104,098	914,444	1,087,815
Additions	104,338		2,000,000	2,104,338
Reductions	<u>65,168</u>		<u>107,622</u>	<u>172,790</u>
Balance, December 31, 1998	\$ 108,443	104,098	2,806,822	3,019,363
	=====	=====	=====	=====

The capital lease was originally issued December 31, 1989, for \$380,260 at a rate of 8.5% per annum maturing December 31, 1999. The proceeds were used to purchase equipment.

The Bonds were originally a \$1,200,000 (Series 1994) and \$2,000,000 (Series 1998), certificate of indebtedness dated October 1, 1994 and November 17, 1998, payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 6.4% and 5.022% per annum, respectfully. The certificates were issued under the Authority of Sections 2921 to 2925 of Title 33 of the Louisiana Revised Statutes of 1950 as amended, and other constitutional and statutory authority, and will be secured by and payable from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the years in the Certificates are outstanding.

The five year annual requirements to amortize the above certificates outstanding at December 31, 1998, including interest are as follows:

<u>Year Ending</u>	<u>Series 1994</u>	<u>Series 1998</u>	<u>Total</u>
1999	\$ 166,145	\$ 295,976	\$ 462,121
2000	166,145	290,396	456,541
2001	166,145	280,352	446,497
2002	166,145	270,308	436,453
2003	166,145	260,264	426,409
Years thereafter	<u>166,145</u>	<u>1,150,660</u>	<u>1,316,805</u>
	996,870	2,547,956	3,544,826
Less: Incremental borrowing rate of interest	<u>190,048</u>	<u>547,956</u>	<u>738,004</u>
	\$ 806,822	\$ 2,000,000	\$ 2,806,822
	=====	=====	=====

	<u>Capital Lease</u>
Minimum lease payments for this capital lease	\$ 115,908
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>11,810</u>
Present value of minimum lease payments	\$ 104,098
	=====

8. CAPITAL LEASES

The district acquired a capital lease to purchase equipment with an original cost of \$422,511. The following is a summary of future minimum lease payments under this lease for the year ending December 31, 1999:

9. OPERATING LEASES

The reporting entity has entered into several operating leases for the rental of two buildings and equipment. For the year ended, rental expenditures with lease agreements exceeding a year, approximated \$45,264. Minimum lease payments for the next five years are as follows:

1999	\$ 45,264
2000	41,044
2001	40,200
2002	32,200
2003	<u>18,800</u>
	\$177,508
	=====

10. NOTE PAYABLE

On December 15, 1998, this district obtained a \$100,000 loan at 4.46% per annum. This loan is due to be paid in full on March 14, 1999.

11. DESIGNATED FUND EQUITY

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes. The designated equity is intended for the purpose of construction of assets and the purchase of equipment. When construction begins and the fire district purchases the equipment, these transactions will be accounted for in the Capital Project Fund.

12. PENSION PLAN

Plan Description. Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District becomes a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits are vested after 12 years of service. Benefits are generally payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 25 years credible service at any age. Benefits, depending upon the number of years of service, are either 2½% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

Pension provisions include both service connected and ordinary disability benefits. Under a service connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor for each year of service in excess of ten years. Under an ordinary disability, ten years of service are required to receive 50 percent of average compensation or 2 1/2% times the number of years of creditable service, whichever is greater. Disability benefits cease at the death of the disabled employee.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2
Baton Rouge, Louisiana
Notes to the Financial Statements (Continued)

12. PENSION PLAN - (CON'T)

Also included in pension provisions are death benefits whereby a qualifying spouse will receive 50 percent of the retired employee's pension amount. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit, if eligible; or \$600 per month plus \$150 per month for each minor child, if the employee was not eligible for benefits at time of death. Prior to 1990, the monthly benefit for survivor and dependents was \$250 and \$100, respectively.

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 Employee's Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (504) 389-3272.

Funding Policy. Plan members are required by the plan to contribute 9.5 percent for 1998 and 8 percent of their gross pay for 1997 and 1996, while the employer contribution rate is 16.13 percent for 1998 and 15.08 percent for the year 1997 and 1996 of the annual covered payroll. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The St. George Fire Protection District No. 2 contributions to the System for the years ended December 31, 1998, 1997, and 1996, were \$116,200, \$94,762, and \$45,274, respectively, equal to the required contributions for each year.

13. BOARD OF COMMISSIONERS

The District is government by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Donald J. Kelly	Chairman
Ted J. Harbourt	Secretary
Frank H. Collura	Board Member
Michael W. Salmon	Board Member
Mr. Johnny R. Suchy	Board Member

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The report on compliance internal control over financial reporting is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

MICHAEL K. GLOVER

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Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based Upon An Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

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

I have audited the general purpose financial statements of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, for the year ended December 31, 1998, and have issued my report thereon dated March 3, 1999. I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, general purpose 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 the compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered St. George Fire Protection District No. 2 internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. I noted no matters involving internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to the management of St. George Fire Protection District No. 2 in a separate letter dated March 3, 1999.

Board of Commissioners
St. George Fire Protection District No. 2
Baton Rouge, Louisiana
Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards
March 3, 1999

This report is intended for the information of management and interested federal and state agencies. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, LA
March 3, 1999

MICHAEL K. GLOVER

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March 3, 1999

Mr. Gerard C. Tarleton
Fire Chief
St. George Fire Protection District No. 2
13686 Perkins Road
Baton Rouge, LA 70810

Dear Mr. Tarleton:

In connection with my audit of the general purpose financial statements of the St. George Fire Protection District No. 2 as of December 31, 1998, and for the year then ended, I noted certain areas relating to the system of internal control and other areas not directly affecting the internal controls I felt were worth presenting comments and recommendations for your consideration. Considering the test character of an examination, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities that a test examination may not disclose. These comments and recommendations were developed from observations made and information furnished to me during the course of my examination.

This letter deals with those areas I feel changes are desirable and practicable and does not necessarily disclose all weaknesses in the system. This letter should be not inferred that my examination failed to disclose good features in the internal controls; I simply do not enumerate them in detail because the purpose of this letter is to recommend possibilities for improvements.

Cash and Revenues

Observation

While performing procedures comparing batches recorded in the general journal to actual deposits, I observed several batches recorded by Southwest Computer Bureau did not agree with amounts deposited into the checking accounts. I also observed the correction of this error took several days or weeks.

Recommendation

To eliminate any delays in correcting deposits, the documents received from Southwest Computer Bureau (SCB) should be compared with the deposits and batches of record shown by the District on a daily basis.

Response

After your examination, we have reviewed this procedure and are presently balancing the deposits to SCB statements of collections daily.

Observation

In reviewing the reports received from Southwest Computer Bureau (SCB), I observed this District is not receiving a report of services charges charged to the respective taxpayer.

Recommendation

Presently, there is not a report showing the billings of the service charge to the respective taxpayers. Upon completion of the billing, a record of each charge to each taxpayer should be produced for the records of the District.

Response

We will contact SCB and make the above request.

The above observations and recommendations were developed from my experience of auditing the controls and records of similar entities. Only management can determine whether these recommendations can be effectively implemented.

I would like to express my appreciation to the personnel of the District's office for their assistance and cooperation with the audit.

Very truly yours,

Michael K. Glover

Michael K. Glover