

CENTRAL FIRE PROTECTION DISTRICT NO.4  
BASIC FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We 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, 2007 which 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. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Central Fire Protection District No. 4, as of December 31, 2007 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2008 on our consideration of Central Fire Protection District No. 4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 8 and page 26, 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

**Latuso & Johnson, CPA, LLC**

Baton Rouge, Louisiana  
February 15, 2008

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION STATEMENT

The District (the District) has the responsibility of providing services to the citizens of the Central Community in the protection of life and property from the perils of fire and other emergencies, through execution of the latest methods of rescue, first aid, and firefighting.

The District is a combination paid/volunteer fire service organization maintaining five stations, an administration, and training facility.

The District is dedicated to the preservation of life and property in the community and to continuously improve the capability and delivery of its public service.

The District will manage its fire service task with the highest regard for humanity, safety, property preservation, the environment, cost, and community well being.

Financial Analysis

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the District's financial statements, which begin on page 9.

Financial Highlights

As anticipated during the budgeting process, expenses increased due to a variety of factors. During the year 3 new fire captain positions were established to assist with fire operations and station administration. There was an annual step increase for all employees as well as longevity pay for some employees. The City Parish Retirement employer contributions increased from 22.38% to 22.40% and State retirement decreased to 13.75%.

Firefighting gear was purchased for new recruits and total supplies increased due to general costs increases. Insurance costs increased significantly due to a 50% increase in general liability.

Repairs and maintenance for both buildings and equipment increased to cover the additional stations and equipment. Training costs increased due to the cost of rookie schools.

The balance on the Certificate of Indebtedness was decreased by the scheduled principal reduction of \$222,222.

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2007

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 11. 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

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. However, you will need to consider other nonfinancial factors 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. 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 12. The general fund is reported using the modified accrual method of 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 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 the reconciliation on page 13.

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2007

The District As A Whole (Accrual Basis)

The District's beginning net assets were \$3,511,120 and ending net assets were \$3,639,555.

There were relatively few additions to capital assets this year. In fact the net capital decreased due to the depreciation in the amount of about \$235,000 that was recorded. There were no new capital leases. Renovations to an older station increased the building costs by approximately \$75,000. This renovation was paid for with the remaining funds from the certificate of indebtedness.

Property taxes assessed in 2007 increased approximately 10% over 2006.

<b>TABLE 1</b>		
<b>Net Assets (Accrual Basis)</b>	2007	2006
Current assets	\$2,432,074	\$2,407,475
Capital assets (net of depreciation)	<u>2,892,983</u>	<u>3,014,225</u>
<b>Total assets</b>	<b>5,325,057</b>	<b>5,421,700</b>
Certificate of indebtedness outstanding	(1,499,999)	(1,722,221)
Other liabilities	<u>(185,503)</u>	<u>(188,359)</u>
<b>Total liabilities</b>	<b>(1,685,502)</b>	<b>(1,910,580)</b>
Net assets:		
Invested in capital assets, (net of debt and depreciation)	1,392,984	1,366,489
Restricted	None	74,485
Unrestricted	<u>2,246,571</u>	<u>2,070,145</u>
<b>Total Net Assets</b>	<b>3,639,555</b>	<b>3,511,120</b>

Central Fire Protection District No. 4  
Management's Discussion and Analysis  
For the year ended December 31, 2007

<b>Table 2</b>		
<b>Changes in Net Assets (Accrual Basis)</b>		
		2006
Fire protection user fees	\$ 340,647	\$ 305,503
Property taxes	1,228,806	1,176,557
Other general revenues	587,959	486,361
<b>Total revenues</b>	<b>\$2,157,412</b>	<b>\$ 1,968,421</b>
Program expenses		
Salaries and related benefits	\$1,370,326	\$1,255,970
Repairs and maintenance	54,185	50,236
Legal and professional	15,245	16,765
Rental – fire hydrants	18,765	18,586
Insurance	49,595	55,693
Depreciation	234,952	255,094
Costs for collecting revenues	34,456	36,089
Supplies	83,476	76,871
Retirement costs – Other agencies	38,288	35,550
Utilities	27,237	27,432
Interest on Certificate of Indebtedness	68,846	115,020
Other	33,606	56,686
<b>Total expenses</b>	<b>2,028,977</b>	<b>1,999,992</b>
<b>Increase (decrease) in net assets</b>	<b>\$128,435</b>	<b>\$(31,571)</b>

The District's total revenues increased by \$188,991, approximately 10%.

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 fire protection service charges.

Central Fire Protection District No. 4  
 Management's Discussion and Analysis  
 For the year ended December 31, 2007

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Totals	\$1,838,888	\$1,762,855	\$1,504,235	\$1,420,383

As the District completed the year, its governmental fund (as presented in the balance sheet on page 12) reported a fund balance of \$1,823,839, which is \$29,862 lower than last year's total of \$1,853,701.

General Fund Budgetary Highlights

Over the course of the year, the District revised the budget twice. The budget was revised to allow for the purchase of an emergency generator and fill stations from a \$46,575 "Fire Act Grant" and to use the remaining certificate of indebtedness proceeds to remodel a fire station.

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 of the budget from modified cash basis to GAAP (full accrual) basis.

Capital Asset and Debt Administration

Capital Assets

At the end of 2007, the District had \$4.6 million invested in capital assets, including fire equipment, buildings, and land. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of just over \$38,000 over last year.

Central Fire Protection District No. 4  
 Management's Discussion and Analysis  
 For the year ended December 31, 2007

Table 4  
 Capital Assets at Year-end

	2007	2006
Land	\$ 264,018	\$ 264,018
Buildings and improvements	2,030,687	1,957,051
Equipment	<u>2,386,387</u>	<u>2,387,386</u>
<b>Totals</b>	<b>\$ 4,681,092</b>	<b>\$ 4,608,455</b>
Accumulated Depreciation	<u>(1,788,109)</u>	<u>(1,594,230)</u>
<b>Net Book Value</b>	<b><u>\$ 2,892,983</u></b>	<b><u>\$ 3,014,225</u></b>

There were few additions to or disposals of fixed assets in 2007. Several items were scrapped. One vehicle was wrecked and 2 were sold. Total insurance and sales proceeds were \$11,200.

Debt

In previous years the District issued \$2,000,000 in debt to finance the payment to build two fire stations and purchase two fire engines. At the end of 2007 the amount remaining due on the debt was \$1,499,999.

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, 2007

		Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents	\$	442,824
Due from other governments		1,246,645
Property taxes receivable - Net		651,539
User charges receivable - Net		91,066
Capital Assets :		
Land and buildings (net)		1,978,028
Equipment, (net)		914,955
Total Capital Assets (net of depreciation)		2,892,983
Total Assets	\$	5,325,057
<b>LIABILITIES</b>		
Accounts payable	\$	6,599
Accrued expenses and benefits payable		46,092
Accrued interest payable		28,295
Current portion of Certificate of Indebtedness		222,223
Long-term Liabilities :		
Certificate of Indebtedness		1,277,776
Compensated absences payable		104,517
Total liabilities	\$	1,685,502
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		1,392,984
Unrestricted		2,246,571
Total net assets	\$	3,639,555

The accompanying notes are an integral part of these financial statements

CENTRAL FIRE PROTECTION DISTRICT NO. 4  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues	Net (Expenses) Revenue and Changes in Net Assets
	Fees, Fines and Charges for Services	Governmental Activities
Governmental:	Expenses	
Fire protection:		
Payroll and Related Expenses	\$ 1,370,326	\$
Supplies	83,476	
Occupancy	37,324	
Equipment	290,472	
Other	178,533	
Total Fire Protection Expenses	1,960,131	340,647
Interest and fiscal charges	68,846	(1,619,484)
Total governmental activities	\$ 2,028,977	\$ (1,688,330)
General revenues:		
Taxes:		
Property taxes, levied for fire protection		1,228,806
State supplemental pay		63,713
State revenue sharing		298,707
Insurance taxes		102,856
Other grants		51,575
Interest		56,508
Miscellaneous		14,600
Total general revenues and transfers		1,816,765
Change in net assets		128,435
Net assets - beginning		3,511,120
Net assets - ending		\$ 3,639,555

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

CENTRAL FIRE PROTECTION DISTRICT NO. 4  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2007

		<u>General Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$	442,824
Due from other governments (Note 4)		1,246,645
Property taxes receivable - Net (Note 4)		651,539
User charges receivable - Net (Note 4)		91,066
Total Assets	\$	<u><u>2,432,074</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable	\$	6,599
Accrued expenses and benefits payable		46,092
Deferred Revenue		555,544
Total liabilities	\$	<u>608,235</u>
Fund balance:		
Unreserved		<u>1,823,839</u>
Total liabilities and fund balance	\$	<u><u>2,432,074</u></u>

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

CENTRAL FIRE PROTECTION DISTRICT No. 4  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

Total *fund balance* for governmental fund \$ 1,823,839

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 and buildings (net of depreciation)	\$ 1,978,028	
Equipment (net of depreciation)	914,955	
Total capital assets		2,892,983

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	\$ 310,758	
Due from City Parish	48,874	
Service Fees	<u>195,912</u>	555,544

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.

Balances at December 31, 2006		
Certificate of Indebtedness	\$ (1,499,999)	
Accrued interest on certificate of indebtedness	(28,295)	
Compensated Absences	<u>(104,517)</u>	
Total long term liabilities		<u>(1,632,811)</u>

Total net assets of governmental activities \$ 3,639,555

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

CENTRAL FIRE PROTECTION DISTRICT NO. 4  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

		<u>General Fund</u>
<b>REVENUES</b>		
Property taxes	\$	1,218,384
Insurance taxes		102,856
Charges for services		334,653
Intergovernmental		376,924
Miscellaneous		59,907
Total revenues		<u>2,092,724</u>
<b>EXPENDITURES</b>		
Current:		
Fire Protection		1,838,888
Debt Service:		
Principle payments on certificate of indebtedness		222,223
Interest expense		72,676
Total expenditures		<u>2,133,787</u>
Excess (deficiency) of revenues over expenditures		(41,063)
Other Financing Sources		
Proceeds from sale of assets		<u>11,201</u>
Net changes in fund balance		(29,862)
Fund balance - beginning		<u>1,853,701</u>
Fund balance - ending	\$	<u><u>1,823,839</u></u>

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

CENTRAL FIRE PROCETION No. 4  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2006

Net change in *fund balance* - total governmental fund (page 11 ) \$ (29,862)

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 was more than capital outlays (in the current period.)

	\$	234,952	
		115,018	
		(119,934)	(119,934)

Repayment of certificate of indebtedness is an expenditure in the governmental funds but reduces the liability in the statement of net assets. 222,223

Governmental funds report the gross proceeds from disposed assets. However, in the statement of activities the gain(loss) on these disposed assets are reported in Miscellaneous Income. Assets with an original cost of and accumulated depreciation of were disposed of in the current year.

	\$	42,382	
		41,073	
		(1,309)	(1,309)

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	\$	10,422	
Revenue Sharing		37,071	
User Fees		5,995	
		53,487	53,487

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:

Accrued interest in current year	\$	(28,295)	
Accrued interest in prior year		32,125	3,830

Change in net assets of governmental activities (page 8 ) \$ 128,435

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

Central Fire Protection District No. 4  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

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 30,500 individuals. The District employs approximately twenty one permanent full-time employees and fifteen - seventeen 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, and compensated absences, 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.

Central Fire Protection District No. 4  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements of the District as of December 31, 2007 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.

C. REPORTING ENTITY

As the governing authority, for reporting purposes, the 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 2006. There were two amendments to the 2007 budget. The Board of Commissioners approved the amendments in February and June 2007. 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, 2007 is presented below:

Central Fire Protection District No. 4  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGET (Continued)

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (Budgetary basis)	(94,228)
To adjust revenues for increase (decrease) in accrued income	
Intergovernmental	(140,716)
Property taxes	237,314
User charges	23,944
To adjust expenditures for (increase) decrease in accrued expenses	
Salaries	(2,690)
Interest	3,831
To adjust capital outlay and depreciation	
Capital outlay capitalized in statement of net assets	115,018
Depreciation recorded in statement of activities	(234,952)
Net book value of capitalized assets disposed.	(1,308)
Principal payment on certificate of indebtedness	222,222
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	128,435

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:

Asset Class	Estimated Useful Lives
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, 2007

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 and certificate of indebtedness, 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 program revenues.

2. CASH AND CASH EQUIVALENTS

At December 31, 2007, the District has cash and cash equivalents as follows:

	Book	Bank
	Balances	Balances
Interest bearing demand deposits	\$ 442,824	\$ 474,779

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 \$1,400,000 of pledged securities held by the trust department of the fiscal agent bank. 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, 2007**

3. RESTRICTED CASH FOR CERTIFICATE OF INDEBTEDNESS:

During 2004 and 2005, certificates of indebtedness were issued for the purpose of building two fire stations and purchasing firefighting equipment. At the beginning of 2006 cash restricted for these capital projects was \$220,232. During 2006 \$145,748 was expended on these capital outlays, leaving \$74,485 in restricted funds at December 31, 2006. During 2007 those funds were expended.

4. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

The following is a summary of receivables at December 31, 2007:

	Property Taxes	User Charges	Due from Other Governments
Amounts receivable	\$788,714	\$204,541	\$1,246,645
Less estimated uncollectible amounts	<u>(137,175)</u>	<u>(113,475)</u>	
Net receivable	<u>\$651,539</u>	<u>\$ 91,066</u>	<u>\$1,246,645</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.

5. CHANGES IN GENERAL FIXED ASSETS

	Equipment	Land	Buildings	Accumulated Depreciation	Totals
Balance at December 31, 2005	\$2,387,386	\$264,018	\$1,957,051	\$(1,594,231)	\$3,014,224
Additions	41,382	-	73,635	( 234,952)	(119,935)
Disposals	<u>( 42,381)</u>	-	-	41,074	<u>( 1,307)</u>
Balance at December 31, 2006	<u>\$2,386,387</u>	<u>\$264,018</u>	<u>\$2,030,686</u>	<u>\$(1,788,109)</u>	<u>\$2,892,982</u>

Depreciation expense recorded for the year ended December 31, 2007 was \$234,952.

6. COMPENSATED ABSENCES

At December 31, 2007 employees of the District have accumulated and vested approximately \$104,500 of vacation benefits and compensatory time.

Central Fire Protection District No. 4  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

7. PROPERTY TAX REVENUES

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. December tax collections remitted to the District by the Sheriff in January are reported as “Due from other governments”.

The 2007 property tax calendar was as follows:

Levy date	December 13, 2006
Millage rates adopted	December 13, 2006
Tax Notices Mailed	November 29, 2007
Due date	December 31, 2007
Lien date	January 1, 2008

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.

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 is 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 30 days of year end are considered available and are recorded as such on the governmental fund financial statements.

8. USER CHARGES

The District is empowered to assess a user charge of \$32 for each residential and commercial structure in the District. The District has 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.

Central Fire Protection District No. 4  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	Compensated Absences	Loan Cert of Indebt	Totals
Balance at December 31, 2006	\$104,517	\$1,722,221	\$1,826,738
Principal reduction on cert of indebtedness -		( 222,222)	( 222,222)
Balance at December 31, 2007	<u>\$104,517</u>	<u>\$1,499,999</u>	<u>\$1,604,516</u>

Current portion of long term obligations as of December 31, 2007 is \$222,223.

The long term obligation outstanding at December 31, 2007 is as a result of the issuance of two certificates of indebtedness; the first on September 9, 2004 and the second on February 24, 2005. The obligations bear an interest rate of 4.45% and are payable in annual installments on February 1st of each year, through 2013 and 2014, respectively. . The installments are in the amount of \$55,556 and \$166,667, respectively, of principal plus accrued interest. Principal payments due for each of the next five years total \$222,223.

10. PENSION PLAN

Plan description of Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge

Five of the District's employees are participants in the City/Parish plan. The District, as well as covered employees, makes contributions to the Employees' Retirement System of the City of Baton Rouge, and the Parish of East Baton Rouge (Retirement System). This is a cost sharing multiple employer defined-benefit 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. 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:

Central Fire Protection District No. 4  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

10. PENSION PLAN (Continued)

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 9.5% of gross earnings while the 2007 employer contribution rate was 22%.

During 2007, the District contributed \$33,758 and the employees contributed \$14,317 on payroll of approximately \$150,000.

Two years of information regarding the funding progress is included in the separately issued December 31, 2007 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 one employee retire during 2007. There is no one entitled to receive benefits that are not yet receiving them. The District's had no net pension obligation with respect to City-Parish retirement plan at December 31, 2007.

The District's participation with the City Parish Plan ended effective June 30, 2007.

Central Fire Protection District No. 4  
Notes to the Financial Statements  
For the Year Ended December 31, 2007

10. PENSION PLAN (Continued)

Firefighters' Retirement System Pension Plan

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 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 13.75% 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 prior fiscal year. The District's contributions to the System for the years ending December 2007, 2006 and 2005, were approximately \$87,000 \$62,375 and \$45,585, respectively. Employee contributions to the System for the years ending December 31, 2007, 2006, and 2005, were approximately \$48,575, \$29,775 and \$17,225, respectively.

11. 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

Central Fire Protection District No. 4  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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. There were no employee deferrals in 2007.

12. SUPPLEMENTAL SALARIES

During the year, the full time employees received additional pay in the amount of \$63,712 from the State of Louisiana. This amount was recorded in revenue as intergovernmental revenue. An offsetting expenditure was recorded in salaries and related benefits.



Latuso & Johnson, CPA, LLC

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225-647-2824 225-329-2491 225-293-8300 337-269-6032

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

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

We have audited the financial statements of the Central Fire Protection District No. 4 (the District), a component unit of the City of Baton Rouge/ Parish of East Baton Rouge, as of and for the year ended December 31, 2007 which comprises the District's basic financial statements and have issued our report thereon dated February 15, 2008. We have conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

**Latuso & Johnson, CPA, LLC**

Latuso & Johnson, CPA, LLC  
Baton Rouge, Louisiana  
February 15, 2008

CENTRAL FIRE PROTECTION DISTRICT No. 4  
 Non GAAP Baasis  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variances with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,160,031	\$ 1,160,031	\$ 1,146,721	\$ (13,310)
Insurance taxes	100,000	100,000	102,856	2,856
Charges for services	342,500	342,500	341,287	(1,213)
Intergovernmental	303,100	349,675	376,924	27,249
Interest earnings	30,000	30,000	56,509	26,509
Miscellaneous	13,500	13,500	14,601	1,101
Total revenues	<u>1,949,131</u>	<u>1,995,706</u>	<u>2,038,898</u>	<u>43,192</u>
<b>EXPENDITURES</b>				
Salaries	947,500	947,500	1,029,422	(81,922)
Employee benefits	339,850	339,850	316,714	23,136
Contractual Services	280,100	280,100	286,017	(5,917)
Supplies	89,000	89,000	83,476	5,524
Capital outlay	292,681	413,741	417,497	(3,756)
Total expenditures	<u>1,949,131</u>	<u>2,070,191</u>	<u>2,133,126</u>	<u>(62,935)</u>
Excess (deficiency) of revenues over expenditures	-	(74,485)	(94,228)	(19,743)
Fund balance - beginning	1,399,801	1,399,801	1,989,121	589,320
Fund balance - ending	<u>\$ 1,399,801</u>	<u>\$ 1,325,316</u>	<u>\$ 1,894,893</u>	<u>\$ 569,577</u>