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

ANNUAL FINANCIAL REPORT

**As of and for the year ended
September 30, 2011**

(With Accountant's Report Thereon)

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

Release Date **FEB 22 2012**

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

Annual Financial Report
As of and for the year ended
September 30, 2011
With Supplemental Information Schedule

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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 financial statements of the governmental activities and fund information of St George Fire Protection District No 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the St George Fire Protection District No 2 management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund information St George Fire Protection District No 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, I have also issued my report dated November 9, 2011, on my consideration of St George Fire Protection District No 2 internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 considered in assessing the results of my audit.

The managements discussion and analysis and budgetary comparison listed in the table of contents, are not a required part of the financial statements but is supplementary information required by Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St George Fire Protection District No 2 financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of St George Fire Protection District No 2. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basis financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Michael K Glover APAC
Baton Rouge, LA
November 9, 2011

St George Fire Protection District No 2
Baton Rouge, Louisiana
Management's Discussion and Analysis
For the Year Ended September 30, 2011

The District provides emergency services to a 70 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 105,500 and there are approximately 27,000 structures. The District is a separate government body and is governed by an appointed board of five citizens. This section of the District's financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2011.

The District has a total staff of 168 employees that provide fire protection and related services. This includes nine employees that provide administrative and office services.

The District continues to evaluate the fire protection needs in the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the St. George Fire Protection District No. 2's basic financial statements. The District's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplemental information.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the St. George Fire Protection District No. 2's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the St. George Fire Protection District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the St. George Fire Protection District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave).

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The St. George Fire Protection District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements

Other information In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information concerning the St George Fire Protection District No 2's performance and statistical information

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$192,705 (net assets), which represents a 129.5% decrease from September 30, 2010. This decrease in net assets was mainly due to a new bond issue during the current year which increased liabilities by \$5,400,000. Also, the long-term liability for the OPEB benefits increased by \$1,070,983 during the current year. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the St George Fire Protection District No 2's net assets reflects its investment in capital assets.

Capital assets of \$10,032,928 included eight fire stations as of September 30, 2011, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation.

The following provides a summary of the net assets:

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,467,869	\$ 2,012,794
Capital Assets	<u>10,032,928</u>	<u>9,609,935</u>
Total Assets	<u>\$16,500,797</u>	<u>\$11,622,729</u>
Long-term Liabilities	13,353,409	9,035,878
Other liabilities	<u>3,340,093</u>	<u>1,934,610</u>
Total liabilities	<u>16,693,502</u>	<u>10,970,488</u>
Net Assets		
Invested in capital assets, net		
Of related debt	7,416,075	6,463,855
Unrestricted	<u>(7,608,780)</u>	<u>(5,811,614)</u>
Total net assets	<u>\$ (192,705)</u>	<u>\$ 652,241</u>
Total liabilities and net assets	<u>\$16,500,797</u>	<u>\$11,622,729</u>

The District receives a millage of 10 mills for general operation, 1.25 mills for salary and benefits and 1.50 mills for capital improvements and debt service. These taxes, which represent 87.3% of total revenue, resulted in an increase of property taxes for the period ending September 30, 2011 of \$30,997 mainly due to new construction and increases in property values.

The following provides a summary of the changes in net assets:

	<u>2011</u>	<u>2010</u>
Revenues		
Property taxes	\$12,400,186	\$12,369,189
Service charges	1,080,966	1,070,042
Intergovernmental revenues	647,987	589,025
Other revenues	<u>76,209</u>	<u>264,857</u>
Total	<u>14,205,348</u>	<u>14,293,113</u>
Expenses	<u>15,050,294</u>	<u>14,671,737</u>

Management's Discussion and Analysis
September 30, 2011

Increase (Decrease) in net assets	(844,946)	(378,624)
Beginning net assets	652,242	1,030,866
Ending net assets	<u>\$ (192,704)</u>	<u>\$ 652,242</u>

Some of the differences in revenues and expenditures between the current year and the prior year are as follows

- 1 Other income decreased by \$188,647 primarily due to less grant income in the current year
- 2 Legal and professional expense increased by \$50,602, primarily due to the cost of the bond attorney for the new bond issued during the current year
- 3 Interest expense increased by \$29,979 because of \$5,400,000 in new financing for renovations and additions to existing fire stations made during the year
- 4 Repairs and maintenance decreased by \$196,164 because in the prior year there were expenses related to renovating structures that were not recurring expenses in the current year
- 5 Supplies decreased by \$187,491 due to cut backs in supply purchases because of declining revenue
- 6 Personnel services and benefits increased by approximately \$630,685 primarily due to raises, increases in the costs on benefits and a decrease in the grants received to fund salaries

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Financial analysis of the changes in fund balance-governmental funds reflects the following highlights

	<u>2011</u>	<u>2010</u>
Revenues		
Ad Valorem Taxes	\$12,400,186	\$12,334,022
Expenditures		
Personnel services and related benefits	\$12,664,789	\$11,853,748
Capital Outlay	\$ 1,042,660	\$ 2,851,357

BUDGETARY HIGHLIGHTS

The original budget was revised 3 times during the year. The revisions decreased revenue by approximately \$626,170. Expenses were increased by \$1,103,789. These revisions were made to more closely reflect expected revenues and expenses of the District.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final Positive/(Negative)</u>
Revenues	\$16,480,780	\$15,854,610	\$15,840,508	\$(14,102)
Expenses	15,677,185	16,780,974	16,872,251	(91,277)
Excess (Deficiency) of revenues over expenditures	803,595	(926,364)	(1,031,743)	(105,379)

Expenses which were over budgeted amounts were legal and professional expenses due to the additional costs of the bond attorney for the new bond issue and contractual services due to a mandated retirement cost increase.

CAPITAL ASSETS

At September 30, 2011, the District had \$10,032,928 assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

LONG-TERM DEBT

Governmental Accounting Standards Board (GASB) Statement No 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions", was adopted during the year ended September 30, 2009. This standard establishes accounting standards for Post Retirement Benefits Other Than Pensions (OPEB). The standard requires accrual based accounting for the OPEB obligation rather than the pay-as-you-go method. There was an increase in the net OPEB obligation of \$1,070,983 for the current year. More detailed information is available in the notes to the financial statements.

New financing of \$5,400,000 was obtained during the year to build one new fire station and to update an existing station. This note is payable over 5 years with annual principal payments of \$1,154,000. Annual interest on this note is 3%.

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. Any questions about this report or requests for additional information may be directed to Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 14141 Airline Highway, Suite 1-H, Baton Rouge, La 70817.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST GEORGE FIRE PROTECTION DISTRICT NO 2
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET ASSETS

Statement A

September 30, 2011

ASSETS	
Cash and cash equivalents	\$ 6,026,706
Receivable (Note 4)	97,929
Prepaid payroll	187,225
Federal assistance receivable (Note 4)	77,179
Capital assets - net of accumulated depreciation (Note 5)	10,032,928
Deposits	78,830
 Total assets	 \$ <u>16,500,797</u>
 LIABILITIES	
Accounts payable	\$ 117,927
Salary benefits payable	274,716
Accrued interest	111,053
Long-term liabilities (Note 7)	
Due within one year	2,836,397
Due after one year	7,169,839
OPEB liability (Note 10)	6,183,570
Total liabilities	<u>16,693,502</u>
 NET ASSETS	
Invested in capital assets, net of related debt	7,416,075
Unrestricted net assets	
General fund	(7,608,780)
Total net assets	\$ <u>(192,705)</u>

The 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 B

Statement of Activities
For the year ended September 30, 2011

	PROGRAM REVENUES			TOTAL
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Public safety - fire protection				
Personnel services and related benefits	\$ 13,738,717	1,593,250		\$ 12,145,467
Repairs and maintenance	290,362			290,362
Legal and professional	117,495			117,495
Insurance	170,326			170,326
Contractual services	603,312			603,312
Office supplies	4,434			4,434
Supplies	343,633	-		343,633
Rental (Note 8)	323,201			323,201
Utilities	192,174			192,174
Interest on long term debt	240,225			240,225
Depreciation	600,047			600,047
Disposal of assets	19,618			19,618
				-
Total governmental activities	16,643,544	-	1,593,250	-
Program revenues				
Service charges				1,080,966
Net program expenses				13,969,328
	GENERAL REVENUES			
				12,400,186
				308,268
				309,719
				30,000
				72,502
				3,707
				13,124,382
				(844,946)
				652,241
				\$ (192,705)

The notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

ST GEORGE FIRE PROTECTION DISTRICT NO 2
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 BALANCE SHEET
 GOVERNMENT FUNDS

Statement C

September 30, 2011

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 6,026,706
Receivable (Note 4)	97,929
Prepaid payroll	187,224
Deposits	78,830
TOTAL ASSETS	\$ <u>6,390,689</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 117,927
Salary benefits payable	274,716
Deferred revenues	124,990
	<u>517,633</u>
 Fund balances	
Unrestricted, reported in General fund	<u>5,873,056</u>
Total fund balance	<u>5,873,056</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,390,689</u>

The 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
 RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS

Statement D

September 30, 2011

Total fund balances - governmental funds (Statement C)	\$	5,873,056
<p>The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The statement of net assets reports capital assets as an asset to the District. These capital assets are depreciated over their estimated useful lives in the Statement of Activities and are not reported in the governmental funds.</p>		
Cost of capital assets	\$ 14,510,053	
Less Accumulated depreciation	<u>(4,477,125)</u>	10,032,928
<p>Interest payable on long-term debt is not accrued in governmental funds, rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.</p>		
		(111,053)
<p>Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the fund financial statements.</p>		
		77,179
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities consist of:</p>		
Compensated absences payable	\$ (986,783)	
Note payable	(9,019,453)	
Net other post employment benefit obligation	<u>(6,183,570)</u>	(16,189,806)
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds.</p>		
		<u>124,991</u>
Net Assets (Statement A)	\$	<u><u>(192,705)</u></u>

The 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 E

Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2011

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 12,400,186
Service charge	1,080,966
Intergovernmental revenues	
State revenue sharing	308,268
Fire insurance tax	309,719
Supplemental pay	948,550
Federal assistance grants	686,610
Other	30,000
Interest income	72,501
Miscellaneous	3,708
 Total revenues	 15,840,509
EXPENDITURES	
Personnel services and related benefits	12,664,789
Repairs and maintenance	290,362
Legal and professional	117,495
Insurance	170,326
Contractual services	603,312
Office supplies	4,434
Supplies	343,633
Rental (Note 8)	323,201
Capital outlay	1,042,660
Utilities	192,173
Debt service	
Principle	879,641
Interest and other charges	240,225
 Total expenditures	 16,872,251
 Excess (deficiency) of revenues over expenditure	 (1,031,742)
OTHER FINANCING SOURCES	
Loan proceeds	5,400,000
 Net changes in fund balance	 4,368,258
Fund balance	
Beginning of the year	1,504,798
End of the year	\$ 5,873,056

The notes are an integral part of this statement

CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES

Statement F

For the year ended September 30, 2011

Net change in fund balances-total governmental funds (Statement E) \$ 4,368,258

Amounts reported for governmental activities in the statement of activities(Statement B) are different as follows

Proceeds of certain long-term debt are reported as financial sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net assets, however, additional debt incurred increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the government funds but reduces the liability in the statement of net assets. This amount by which payment of principal on this debt exceeds the proceeds from issuance of new debt

Loans	907,608	
Interest accrual	(27,967)	
Loan proceeds	<u>(5,400,000)</u>	
		(4,520,359)

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 an accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net changes associated with these expenses/expenditures are as follows

Compensated absences	(2,945)	
Pension and OPEB assets	<u>(1,070,983)</u>	
		(1,073,928)

In the statement of activities, a gain or loss on sales, trade-ins, proceeds received from dispositions of capital assets increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets disposed (19,620)

Under the modified accrual basis of account used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to current year revenue in converting to the full accrual basis (41,910)

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year

	442,613	
	<u>(844,946)</u>	
	\$	<u><u> </u></u>

The 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 September 30, 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A 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 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 eight stations to provide fire protection for individuals within their district The District has approximately 174 employees

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 organizations 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

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

Basis of Presentation

The financial statements of the Board are prepared in accordance with accounting principles generally accepted in the United States of America The Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements The Board may also apply all FASB pronouncements or interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements

Government-Wide and Fund Financial Statements

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and Statement of Activities for the district as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide Accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. The Statement of Net Assets and Statement of Activities are reported on the accrual basis of accounting.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

The fund financial statements provide reports on its financial condition and results of 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 using the modified accrual method to report revenues and expenditures.

Funds of the District are classified as governmental funds. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the district include:

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements (GWFS) use the economic resources measurement focus and the accrual basis of accounting in the preparation of The Statement of Net Assets and the Statement of Activities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements (FFS) use the current financial resources measurement focus and a modified accrual basis of accounting. With the measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financial sources and expenditures and other financial uses).

The modified accrual basis of accounting recognizes revenues in the accounting period they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the district, available means expected to be received within a sixty days of fiscal year end. Measurable means the amount of the transaction can be determined and available means collectible when the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded in the accounting period when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes and service charges. Property tax revenues, service charges, and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Con't

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

Capitalizing Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

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.

Revenues and deferred revenues

Property taxes and the service charge are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2010, ad valorem tax roll was as follows:

	Service charges And <u>Ad valorem taxes</u>
Levy date	January 1, 2010
Due date	December 31, 2010
Lien date	January 1, 2011
Collection date	December 3, 2010

Deferred revenues are those property taxes that have not met the "available" criteria and funds received from grants that have not been used.

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

Program Revenues

The Statement of Activities presents two categories of program revenues - (1) charges for services and (2) operating grants and contributions. Charges for services - are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the programs goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessment, and include payments from exchange transactions with other governments.

Operating grants and contributions - are resources that are restricted for operating purposes of a program. They include grants and contributions with restriction that permit the resources to be used for a programs operating of capital needs at the recipient governments discretion. If multipurpose contributions and grants that provide financing for more than on program are specifically identified, they are included as program revenues. Reported as a contribution is the supplemental salary paid to the firefighters by the State of Louisiana and federal assistance reimbursing the District for salaries and related benefits.

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 are recorded as a long-term debt.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets 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.

H CAPITAL ASSETS

Capital assets purchased in excess of \$500 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful live is managements estimate of how long the asset is estimated to meet service demands. A salvage value of ten percent of historical cost has been assigned to the buildings and vehicles. Straight line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Furniture	5-7 years
Equipment	5-10 years
Vehicles	5 years

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.

F BUDGET PRACTICES

The proposed budget for 2010 - 2011 was made available for public inspection on September 17, 2011. 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 September 30, 2011, 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.

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.

1 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 as a long-term debt as a governmental activity.

2 CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The depository bank places approved pledged securities for safekeeping and trust with the District's in an amount sufficient to protect Districts funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposits Insurance Corporation (FDIC) insurance.

	<u>Amount</u>
Bank deposits in bank accounts per balance sheet	\$ <u>6,026,706</u>
Bank balances of deposits exposed to custodial credit risk	
a Uninsured and uncollateralized	\$
b Uninsured and collateralized with securities held by the pledging institution	
c Uninsured and collateralized with securities held by the pledging institutions trust department or agent but not in the entities name	5,780,034
Total bank balances exposed to custodial credit risk	\$ <u>5,780,034</u>
Total bank balances	\$ <u>6,030,034</u>

The District's cash deposits at September 30, 2011, and during the year ended September 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the district's agent bank in the District's name.

3 LEVIED TAXES AND CHARGES

	<u>AUTHORIZED</u>	<u>LEVIED</u>	<u>EXPIRATION</u>
	<u>MILLAGE/RATE</u>	<u>MILLAGE</u>	<u>DATE</u>
Ad valorem taxes			
- Property taxes	4 00	4 00	2013
- Property taxes	6 00	6 00	2017
- For salaries and related benefits	1 25	1 25	2021
- Capital improvements and debt service	1 50	1 50	2016
Service charge (maximum rate)	\$32 00	N/A	2021

The above assessments are as of the 2010 assessment roll. The grand recapitulation of the assessment roll will include an addition tax of 1 25 millage to pay the revenue bond that was obtained during to construct a new fire station, training facility and make other capital improvements.

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

4 RECEIVABLES

Receivables as of September 30, 2011, are as follows

Ad valorem taxes	\$ 1,294,080
Service charges	<u>27,520</u>
	1,321,600
Less Allowance for bad debts	<u>1,223,671</u>
	\$ <u>97,929</u>

Grant revenues include paid reimbursements of \$644,700 from the Federal Agency Department of Homeland Security for additional employees to increase the number of firefighters in local communities and to help them meet industry minimum standards and attain 24/7 staffing for adequate protection against fire and fire-related hazards, and fulfill related roles associated with fire departments. An unpaid balance of \$77,179 is recorded on the statement of net assets of the government-wide financial statements.

5 CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,189,284	193,446	-	2,382,730
Building	4,154,853	-	-	4,154,853
Construction in progress	-	814,951	-	814,951
Furniture	136,532	-	-	136,532
Vehicle	581,370	-	139,716	441,654
Equipment	6,545,070	34,263	-	6,579,333
	<u>13,607,109</u>	<u>1,042,660</u>	<u>139,716</u>	<u>14,510,053</u>
Accumulated depreciation				G-1b Ending Balance
	Beginning Balance	Additions	Deletions	
Building	884,710	102,727	-	987,437
Furniture	43,607	17,157	-	60,764
Vehicle	299,980	53,649	-	353,629
Equipment	2,768,877	426,514	120,096	3,075,295
	<u>3,997,174</u>	<u>600,047</u>	<u>120,096</u>	<u>4,477,125</u>
Capital assets, net	\$ <u>9,609,935</u>			<u>10,032,928</u>

6 DEFERRED REVENUES

Deferred revenues are property taxes that did not meet the "available" criteria for recording revenues in the governmental fund financial statements.

7 LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due Within One Year
<u>Fund Activity</u>					
Note payable	\$ -	3,000,000	3,000,000	-	-
<u>Government Activities</u>					
Compensated absences	983,838	812,261	809,315	986,783	810,000
Equipment loan	888,827		435,019	453,808	453,808
Bond - 2011		5,400,000		5,400,000	1,100,000
Note payable-2009	2,000,000		200,000	1,800,000	200,000
Note payable-2005	1,638,234		272,589	1,365,645	272,589
	<u>\$ 5,510,899</u>	<u>9,212,261</u>	<u>4,716,923</u>	<u>10,006,236</u>	<u>2,836,397</u>

The short-term loan in the fund activities was used for operational requirements during the year

A revenue bond series 2011 originally issued June 2011, with an original balance of \$5,400,000 payable over a period of 5 years bearing interest at a rate not to exceed 3% for the purpose of constructing a fire station, an administrative facility and a training facility including all necessary furnishings and equipment pledged by proceeds of the 1.25 mills ad valorem tax approved by the voters on November 2, 2010 and first placed on the tax roll for 2011. The annual payments are indicated below

The Note Payable-2009 was originally issued December 18, 2009, with an original balance of \$2,000,000 payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 4.80% and 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. Annual payments are made against principal of \$200,000

The Note Payable-2005 was originally issued in 2005, with an original balance of 2,728,590 payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 4.35% and 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. Annual payments are made against principal of \$272,589

An equipment loan was obtained December 21, 2007, to purchase additional equipment. The lease is for a three year period with annual payments of \$473,410 payable in April of each year and an interest rate of approximately 4.3193%

The five year annual requirements to amortize the above certificates outstanding at September 30, 2011, including interest are as follows

Year Ending	Revenue Bond						
	Principle Payments	Interest Payments	Total	Principle Payments	Interest Payments	Total	Total Activity
2012	926,397	161,012	1,087,409	1,100,000	118,500	1,218,500	2,305,909
2013	472,589	118,640	591,229	1,025,000	113,625	1,138,625	1,729,854
2014	472,589	95,652	568,241	1,060,000	82,350	1,142,350	1,710,591
2015	472,589	72,773	545,362	1,090,000	50,100	1,140,100	1,685,462
2016	475,288	49,894	525,182	1,125,000	16,875	1,141,875	1,667,057
Years 2017-2020	800,000	76,800	876,800	-	-	-	876,800
	<u>\$ 3,619,452</u>	<u>574,771</u>	<u>4,194,223</u>	<u>5,400,000</u>	<u>381,450</u>	<u>5,781,450</u>	<u>9,975,673</u>

8 OPERATING LEASES

The reporting entity has entered into several operating leases for the rental of three buildings and equipment. For the year ended, rental expenditures with lease agreements exceeding a year were approximated \$323,201. Minimum lease payments for the next five years are as follows:

2011	\$192,816
2012	192,816
2013	<u>82,590</u>
	\$468,222
	=====

Annual rental fees of fire hydrants were approximately \$93,000 for the year, there is not a lease agreement for this equipment. The leasing of this equipment is mandated by the City Parish of Baton Rouge in an agreement with the water companies. This annual rental fee for these hydrants has occurred since 1969.

9 PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters Retirement System. On July 1, 2007, the employees that were covered by the Employees Retirement System were given the option to remain with this system or transfer their accumulated benefits to the Firefighters Retirement System. All but 4 of the plan participants transferred to the Firefighters Retirement System.

Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the respective plan depending on their date of employment. Both retirement systems are a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits of the Employees Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of 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.

The benefits of the Firefighters Retirement System are available to employees with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%.

Disability Benefits

Pension provisions of the Employees Retirement System 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 or more years of service 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.

Active contributing employees are entitled to disability benefits under the provisions of the Firefighters Retirement System. Any employee under the age of 50 who becomes totally disabled in the line of duty will receive 60% of their compensation, or 75% of their accrued retirement benefit with a minimum of 25% of average salary for an injury received, even though not in the line of duty. Any employee age fifty or older who becomes totally disabled from an injury sustained in the line of duty is entitled to the greater of 60% of compensation or their accrued retirement benefit. An employee age fifty or older who becomes totally disabled as a result of any injury, is entitled to benefits equal to their accrued retirement benefit with a minimum of 25% of average salary.

Survivor Spouse Benefits

9 PENSION PLAN (CONT)

The pension provisions of the Employees Retirement System for a qualifying spouse will receive 50 percent of the retired employees pension amount. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employees 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.

Survivor Spouse Benefits (cont)

Survivor spouse benefits under the Firefighters Retirement System are entitled to an annual benefit equal to two-thirds of the deceased employees compensation if the employee's death is in the line of duty. If a member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit of 3% of the deceased employees average compensation multiplied by their total years of creditable service. In no event is the annual benefit less than 40% or more than 60% of the deceased employees average final compensation.

Both of these Systems issue an annual publicly available financial report that includes financial statements and required supplementary information for the Systems. The respective reports may be obtained by writing to the Employees Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060.

Funding Policy

Plan members of the Employees Retirement System are required by the plan to contribute 9.5 percent for 2011, 2010 and 2009 of their gross pay while the employer contribution rate is 24.93% as of January 1, 2010, 21.44% as of January 1, 2009, and 31.99% as of August 1, 2007. 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 contributions by the District and plan participants for the years ended September 30, 2011, 2010 and 2009, were \$63,240, \$58,838 and \$71,682, respectively, equal to the required contributions for each year. As of October 1, 2009, approximately 3 employees requested their retirement contributions be moved to the Firefighter's Retirement System causing a decrease in required contributions made to the retirement system.

Plan members of the Firefighters Retirement System are required by the plan to contribute 8 percent for 2010 and 2009 of their gross pay and effective July 1, 2011 the employee contribution rate changed to 10 percent. The employer rate as of July 1, 2011 was 23.25%, 21.5% as of January 1, 2010 and 14% as of June 1, 2009, of the annual covered payroll. The contributions paid by the District and plan participants for the years ended September 30, 2011, 2010 and 2009, were \$2,551,722, \$2,010,820 and \$1,479,917, respectively, equal to the required contributions for each year. This System also receives funds from insurance premium taxes each year as appropriated by the Legislature. These taxes are used as additional employer contributions.

10 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The St George Fire District No. 2 OPEB plan is a single-employer defined benefit "substantive plan" as understood by the employer and its employees. The plan provides health and dental insurance benefits to eligible retirees and their spouses. There is a written plan that exists that communicates the post-retirement benefits and eligibility requirements to the plan members. The OPEB plan does not issue a stand-alone financial report. The employer pays 61% of the cost while retirees pay the remaining 39% for health insurance, for dental insurance the employer pays 60% of the cost while the employee pays 40%.

There are presently 138 active members and 5 retirees and 3 spouses receiving benefits.

Retiree may continue their coverage paying the same premiums and receiving the same benefits as they did five years before their retirement.

10 OTHER POST-EMPLOYMENT BENEFITS (Con't)
 Funding Policy

The health/dental plan was funded with employer and retiree payment of the premiums on a pay-as-you-go method

There are no employer or retiree contributions to the OPEB plan. The insurance premiums paid during the year for the retirees were \$24,908 paid by the employer and \$15,399 paid by the retirees

Annual OPEB cost and net OPEB obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized an unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan

Annual required contribution (ARC)	\$ 1,215,622
Interest on net OPEB obligation	202,682
Adjustment to ARC	<u>(298,413)</u>
Annual OPEB cost (expense)	1,119,891
Less Contributions made	<u>(48,908)</u>
Increase in net OPEB obligation	1,070,983
Net OPEB obligation-beginning of year	<u>5,112,587</u>
Net OPEB obligation-end of year	<u>\$ 6,183,570</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years were as follows. The information for the year ended 9/30/10, was calculated by an actuary and estimated for the year 9/30/11 and 9/30/2009

<u>Fiscal Year Ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase (Decrease) to net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
09/30/09	1,145,383	0.00%	1,145,383	
09/30/10	2,057,274	0.00%	2,070,027	
09/30/11	1,070,983	0.00%	1,070,983	6,183,570

Funding Status and Funding Progress The funding status of the plan as of October 1, 2010, from the most recent actuarial valuation shows the plan is unfunded by \$6,183,570. The covered payroll (annual payroll of active employees covered by the plan) was \$6.2 million and the ratio of the UAAL to the covered payroll was 88.12%. For the plan year ended September 30, 2010, retirees would no longer qualify for OPEB benefits once they have reached age 65. This change has decreased the annual UAAL by almost 50%. The first year effected was the year September 30, 2010

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10 OTHER POST-EMPLOYMENT BENEFITS (Con't)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

On the October 1, 2009, actuarial valuation, a frozen attained age actuarial cost method was used. For the valuation report year ended September 30, 2010, the method used was changed to the Attained Age method. The actuary does not anticipate any noticeable changes in the first year of using this method and minor changes in years thereafter. The valuation utilized participate data supplied by the district. Projected claim costs were determined by combining trended claims data, actual capitation rates and actual vendor fees. The agency's unfunded actuarial accrued liability is being amortized using both a level dollar amount and a level percent of pay over an amortization period of 30 years, the maximum amortization period allowed by GASB 45.

11 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.

Mr. Johnny R. Suchy	Chairman
Charles Heath	Secretary
Gary T. Durham	Board Member
John C. Monte	Board Member
David Carnes	Board Member

OTHER SUPPLEMENTAL INFORMATION AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a budget comparison schedule and 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.

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

Budget Comparison Schedule (Non-GAAP budgetary basis) - General fund
For the Year Ended September 30, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad valorem taxes and service charges	\$ 14,106,440	13,475,470	13,481,153	\$ 5,683
Fire insurance tax	285,490	285,490	309,719	24,229
Intergovernmental revenues	1,286,500	1,286,500	1,286,818	318
Grant	724,750	729,550	686,610	(42,940)
Interest income	44,000	44,000	72,501	28,501
Other	33,600	33,600	3,707	(29,893)
Total revenues	<u>16,480,780</u>	<u>15,854,610</u>	<u>15,840,508</u>	<u>(14,102)</u>
EXPENDITURES				
Personnel services and related benefits	12,437,505	12,653,630	12,664,789	11,159
Repairs and maintenance	286,300	302,020	290,362	(11,658)
Legal and professional	-	52,344	117,495	65,151
Insurance	180,000	171,090	170,326	(764)
Contractual services	669,650	536,246	603,312	67,066
Office supplies	-	8,633	4,434	(4,199)
Supplies	333,100	246,556	343,633	97,077
Rental	311,640	311,640	323,201	11,561
Capital outlay	130,000	1,168,415	1,042,660	(125,755)
Utilities	201,960	203,370	192,173	(11,197)
Debt service	1,127,030	1,127,030	1,119,865	(7,165)
Other	-	-	-	-
Total expenditures	<u>15,677,185</u>	<u>16,780,974</u>	<u>16,872,251</u>	<u>91,275</u>
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES	803,595	(926,364)	(1,031,742)	(105,378)
OTHER FINANCING SOURCES				
Loan proceeds	-	5,400,000	5,400,000	-
	<u>803,595</u>	<u>4,473,636</u>	<u>4,368,258</u>	<u>(105,378)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>1,504,798</u>	<u>1,504,798</u>	<u>1,504,798</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 2,308,393</u>	<u>5,978,434</u>	<u>5,873,056</u>	<u>\$ (105,378)</u>

Reconcile budget to GAAP basis

Budget Basis	\$ 4,368,258
Personal services and related benefits	(1,073,928)
Revenues	(41,910)
Proceeds from loan	(5,400,000)
Disposal of assets	(19,620)
Capital Outlay	1,042,660
Debt service	1,119,865
Depreciation expense	(600,047)
Interest expense	(240,225)
GAAP Basis	<u>\$ (844,946)</u>

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

Notes to Required Supplementary Information
For the Year Ended September 30, 2011

Summary of Significant Variances in the Budget

Budgetary Process

The proposed budget for 2010 - 2011 was made available for public inspection on September 17, 2011. 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 September 30, 2011, 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.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The basic differences arise through the employment of a basis of accounting for budgetary purposes which differs from basis of accounting applicable to the fund type when reporting on the operations in accordance with GAAP.

Grant

Grant revenues include paid reimbursements of \$644,700 from the Federal Agency Department of Homeland Security for additional employees to increase the number of firefighters in local communities and to help them meet industry minimum standards and attain 24/7 staffing for adequate protection against fire and fire-related hazards, and fulfill related roles associated with fire departments.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Pass-Through Programs</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Federal Agency Department of Homeland Security</u>		
Staffing for Adequate Fire and Emergency Response (Gustav)	97 083	644,700
Total federal assistance		\$ <u><u>644,700</u></u>

Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of St George Fire Protection District No 2 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

ST GEORGE FIRE PROTECTION DISTRICT NO 2
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Summary of Auditor's Results

Financial Statements

Type of report issued - Unqualified

Internal control over financial reporting

-Material weaknesses identified yes no
-Significant deficiency(ies) identified yes none reported
Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs

-Material weaknesses identified yes no
-Significant Deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major program - unqualified

Any audit findings that were required to be reported in accordance
with Section 510(a) of OMB Circular A-133? yes no

The Safer grant (97 083) is considered a Type A major program

U S Department of Health and Human Services
CFDA #97 083 Staffing for Adequate Fire and Equipment Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 as specified under
Section 520(b)

Auditee qualified as a low-risk auditee yes no

Financial Statements Findings - None

Federal Award Findings and Questioned Cost - None

ST GEORGE FIRE PROTECTION DISTRICT NO 2
PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

None

**ST GEORGE FIRE PROTECTION DISTRICT NO 2
SCHEDULE OF FUNDING PROGRESS FOR MPHP**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits as follows

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll Covered (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/08	\$0	10,656,573	10,656,573	0%	6,778,547	157 21%
09/30/09	\$0	11,453,295	11,453,295	0%	7,392,103	154 94%
09/30/10	\$0	6,183,570	6,183,570	0%	6,200,964	99 72%

The Board of Commissioners changed the post retirement benefit plan that once a retiree reached 65 years of age and qualified for Medicare, they would no longer qualify for the post retirement benefits offered by St George Fire District No 2. This amendment resulted in a decrease of AAAL by over 50%. This change was effective for the year ended September 30, 2010.

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)
9497 BROOKLINE
BATON ROUGE, LOUISIANA 70809
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Report on Internal Control over Financial Reporting and Compliance and Other Matters
Based on an Audit of the 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 financial statements of St George Fire Protection District No 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2011, and have issued my report thereon dated November 9, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of St George Fire Protection District No 2 is responsible for establishing and maintaining effective 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St George Fire Protection District No 2 internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of St George Fire Protection District No 2 internal control over financial reporting.

A deficiency in internal control 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 material weakness is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St George Fire District No 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my test 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 of management and interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Michael K Glover APAC
Baton Rouge, LA
November 9, 2011

MICHAEL K. GLOVER
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Accounting Corporation)

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**Report on Compliance with Requirements That Could Have a Direct and
Material Effect on each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Independent Auditors Report

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

Compliance

I have audited the compliance with St George Fire Protection District No 2 with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of St George Fire Protection District No 2 major federal programs for the year ended September 30, 2011. St George Fire Protection District No 2 major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of law, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, the District has complied, in all material respects, with the requirements referred to above that have a direct and material effect on each of the major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the St George Fire Protection District No 2 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, of St. George Fire Protection District No. 2, others within the entity, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Michael K. Glover APAC

Michael K. Glover APAC
November 9, 2011